The background of the cover is a photograph of a park. In the foreground, several pink coneflowers with dark brown centers are in focus. Behind them is a concrete retaining wall, a grassy area, and a calm lake. The far side of the lake is lined with green trees under a blue sky with scattered white clouds.

Annual Comprehensive Financial Report

Year Ended December 31, 2023

City of Owatonna, Minnesota

CITY OF OWATONNA, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

DEPARTMENT OF FINANCE

Rhonda L. Moen, CPA, CPFO
Finance Director

Member of the Government Finance Officer's Association

Of the United States and Canada

CITY OF OWATONNA, MINNESOTA
Annual Comprehensive Financial Report
For the year ended December 31, 2023

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Letter of Transmittal	1-6
GFOA Certificate of Achievement	7
Organization Chart	9
Elected and Appointed Officials	10
 FINANCIAL SECTION	
Independent Auditors' Report	11-14
Management's Discussion and Analysis	15-25
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	28-29
Statement of Activities	30-31
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	34-35
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances	38-39
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	41
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	42-43
Proprietary Funds:	
Statement of Net Position	44-45
Statement of Revenues, Expenses, and Changes in Net Position	46-47
Statement of Cash Flows	48-49
Notes to the Basic Financial Statements	51-96
Required Supplementary Information	
Schedule of Changes in the Total OPEB Liability and Related Ratios	97-98
Schedule of Proportionate Share of the Net Pension Liability	99
Schedule of City Contributions	100
Notes to the Required Supplementary Information	101-105
Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association	106-107
Combining Statements	
Nonmajor Governmental Funds:	
Combining Balance Sheet	110-111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	112-113
Combining Balance Sheet – Nonmajor Capital Projects Funds	118-120
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	122-124
Discretely Presented Component Unit:	
Combining Balance Sheet – Economic Development Authority	126
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Economic Development Authority	127

CITY OF OWATONNA, MINNESOTA
Annual Comprehensive Financial Report
For the year ended December 31, 2023

TABLE OF CONTENTS
(CONTINUED)

	PAGE
Capital Assets Used in the Operation of Governmental Funds	
Schedule by Function and Activity	130-131
Schedule of Changes by Function and Activity	132
STATISTICAL SECTION	
Net Position by Component	134-135
Changes in Net Position	136-139
Fund Balance - Governmental Funds	140-141
Changes in Fund Balances of Governmental Funds	142-143
Program Revenues and Expenses by Function	144-145
General Governmental Tax Revenue by Source	146
Property Tax Levies and Collections	147
Tax Capacity and Estimated Value of Taxable Property	148
Property Tax Rates and Tax Levies – Direct and Overlapping Governments	149
Principal Property Taxpayers	150
Ratios of Outstanding Debt by Type	151
Ratios of Net General Bonded Debt Outstanding	152
Legal Debt Margin Information	153
Computation of Direct and Overlapping Debt	154
Schedule of (OPU) Revenue Bond Coverage	155
Schedule of Storm Water Fund Bond Coverage	156
Demographic and Economic Statistics	157
Principal Employers	158
Full-time Equivalent City Employees by Function	159
Capital Asset Statistics by Function	160
Operating Indicators by Function	161

INTRODUCTORY SECTION



June 10, 2024

Honorable Mayor & Members of the City Council and Citizens of Owatonna

State statutes require that the City publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen, LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Owatonna’s financial statements for the year ended December 31, 2023. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. The analysis complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Owatonna was organized as a municipality in 1854. The City of Owatonna is the county seat of Steele County and is located about 65 miles southwest of the Twin Cities (Minneapolis-St. Paul) metropolitan area at the crossroads of Interstate 35 and U.S. Highways 14 and 218. The City encompasses about 15 square miles. The City is located on the Straight River in the heart of Southern Minnesota. Owatonna’s scenic setting, healthy economy, quality lifestyle and proximity to the Twin Cities Metropolitan Area are factors that have contributed to the City’s substantial growth. Highway 14 connects half the employment centers in Southern Minnesota and three-quarters of the top employers.

The City of Owatonna operates under a home-rule charter form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of a mayor and seven other members, all elected on a non-partisan basis. The Mayor position is a non-voting position. Council members serve four-year terms, with half of the council up for election every other year. The mayor and two council members are elected at large, and the remaining five members of the Council are elected to serve one of the five wards. The City Administrator is responsible for overseeing the day-to-day administrative affairs and operations of government. The City provides a full range of services. These services include police and fire protection, a public library, community and economic development, construction and maintenance of 132 miles of streets and other infrastructure plus 867 acres of parkland and 17-plus miles of trails. Other recreational amenities operated by the City include the River Springs Water Park and the Brooktree Golf Course. The City

ADMINISTRATIVE SERVICES DEPARTMENT

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also supports the Degner Regional Airport which serves as a gateway to Southern Minnesota. The City also provides water, sewer, storm water, gas, and electric services. The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Owatonna as legally defined), as well as its component units. A component unit is a legally separate entity for which the primary government is financially accountable. The Owatonna Housing & Redevelopment Authority and the Economic Development Authority are included as discretely presented component units.

The Council is required to hold at least one public hearing in early December of each year for discussion of the budget. Following this hearing, they are required to adopt a budget and certify their levy by December 28 of each year. This annual budget serves as the foundation for the City of Owatonna's financial planning and control. The budget is prepared by fund, department (i.e., street) and cost center (i.e., snow & ice removal). Amendments to the budget need approval from the Council. The legal level of control is at the fund level.

Local Economy

Owatonna has developed from its agricultural heritage as a community with a diverse economy, including a strong industrial, financial, and service base. Owatonna is the home of many nationally renowned firms such as Federated Mutual Insurance Company, Bosch, Jostens, Daikin, Wenger Company, and others. Owatonna is strategically placed at the crossroads of I-35 and two major US highways, giving it one of the most accessible locations in the Midwest. Highway 14 connects half the employment centers in Southern Minnesota and three-quarters of the top employers. Owatonna consistently ranks among the livable small towns in the country.

The City of Owatonna owns four industrial parks: Crane Creek Industrial Site, Ebeling Industrial Area, Alexander Industrial Park and Sanders Industrial Addition. These four sites total an area of over 150 available acres within 1/2 mile of I-35, fully served by municipal infrastructure and direct rail access to the Dakota, Minnesota and Eastern Railroad, and Union Pacific Railroad.

Owatonna has more than 500 retail, wholesale and professional firms supporting its large industrial base. Boasting over 40 industrial firms, Owatonna's business community provides jobs for a labor force in excess of 17,000 people.

Owatonna continues to be in a growth mode in terms of economic development. Although the number of permits in 2023 was slightly less than 2022, (1,761 permits as compared to 1,883). The valuation increase was sizable, from \$83 million in 2022 to \$110 million in 2023. Major projects driving this growth include a host of industrial, commercial, and multifamily residential projects. More specifically, Climate by Design (CDI), Kamp Automation, Cemstone, Ascend Riverfront development, West Bank, Foamcraft, Thompson Sanitation, Westlake apartments, Roma's Italian Eatery and Jersey Mikes's. Continued commercial and industrial growth is fueling the rental housing market. Owatonna (124 units) outpaced our neighboring cities of Northfield (11units), Austin (40 units), and New Ulm (0) in terms of multifamily residential permits issued in 2023. Owatonna also had the highest amount in total construction valuation in 2023 with \$110 million.

The City received a long-awaited and overdue increase in LGA allocation. The LGA formula had not been adjusted for many years and did not address increased costs due to inflation. These funds were used to make critical investments in key buildings and other infrastructure projects. The City Council places a high priority on using these funds to advance the goals of the strategic plan, in this case addressing overdue infrastructure needs.

The City continued its investment in capital improvement projects that reflect the priorities established in the strategic plan of infrastructure, quality of life, economic vitality, and efficient, effective government. Key items included: computer and technology replacements and upgrades, portable public safety radio replacements, body cameras, new in-car cameras, cablecast equipment for simulcasting council meetings, mechanical upgrades at River Springs Water Park and new furniture, new canoes, kayaks and paddleboards at Lake Kohlmier. Key vehicles or equipment purchased through the vehicle replacement fund (VRF) included squad cars, pick-ups, fire pick up street sweeper, skid steer tandem axel truck.

The Owatonna area is a growing region attracting new development, business expansions, business relocations and an expanding workforce. Capital infrastructure investments were required to continue to meet the needs of our community. Work continues on the expansion of the wastewater treatment plant. This capacity expansion is critical to continuing the steady industrial and residential growth Owatonna has enjoyed. The city's diverse manufacturing base is key to the stability of the local economy. Notable projects include: Kamp Automation, relocated from Waseca, a company that specializes in customized automated systems for manufacturing companies finished construction on a new 50,000 square foot facility and employs 50 personnel. Climate by Design completed their 200,000 square foot manufacturing facility and added 50 new employees. Cemstone completed construction of a new cement plant in the industrial park to move all operations to a larger and more suitable site.

Long-term Financial Planning

Assigned and unassigned fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the City maintain a balance between thirty and fifty percent of next year's expenditure.

Included as part of the City's guiding principles are to exercise fiscal responsibility by ensuring the best use of tax dollars; empower employees and boards of the City of Owatonna to perform their duties with efficiency, quality, and the highest regard for the public trust; and accept only the highest standard of legal and ethical behavior by all who are elected or appointed to public office.

Major Initiatives

City Council Members and Department Directors met, reviewed, and revised the City's three-year strategic plan for the City of Owatonna. After a thorough review of the existing objectives and progress made to date, a revised plan was developed. Key focus areas were reviewed and confirmed for the next three-year period. The strategic objectives for 2024-2026 include infrastructure, economic vitality, quality of life and efficient, effective government.

Infrastructure

The objective identified was to develop and implement fiscal sustainability policies to support core services that proactively ensure the health, safety, and welfare of our citizens: After completing the review of all key buildings, The building task force was transformed into the Government Buildings Steering committee. Their task was to oversee the development of a Long-Range Asset Management Plan (LRAP) to plan and prioritize capital projects. A funding plan will also be developed. This is a significant project that will take time to achieve. Key projects include roof repair at the fire hall, law enforcement center, main airport hangar and Merrill Hall. New roof top units were replaced at the LEC along with the second half of mechanical upgrades at River Springs

Water Park. A new cablecast server that aids in live streaming and offering of closed captioning for council meetings was added.

The wastewater treatment plant expansion costs had increased dramatically due to supply chain issues and inflation. This expansion was so important to Owatonna's continued growth and development, the city requested assistance from the State of Minnesota for \$22 million in bonding funds. The City partnered with the City of Medford to present a regional wastewater solution to the Legislature. The city was successful and received the full amount requested. The project is approximately 50% complete. The city has also continued its sanitary sewer-lining program implemented in 2013 by completing 3,353 linear feet of sewer lining in 2023. This important program reduces the amount of inflow and infiltration (I & I) from entering the sanitary sewer system. Reducing I&I secures the WWTP capacity for treatment of sanitary waste and prolongs the timeframe for a capacity expansion of the facility. The city also completed sewer televising as needed. The city completes routine maintenance of sewer lines to include cleaning at least 20% of the system.

Several street projects were designed and completed in 2023 as follows: Havana Road, School Street E, Butternut Avenue SW, Riverview Place SW and 15th Street NE. Major street and utility projects involved varying degrees of reconstruction, replaced watermain and services, sanitary and sewer connections. Constructed several storm sewer structures and pipes and curb and gutter.

Economic Vitality

This key focus area supports economic development efforts through collaboration with city enterprises, other public entities, Owatonna Partners for Economic Development (OPED) and private entities that attract, retain, and create quality jobs to ensure a diverse economic base, a resilient and growing tax base, and thriving neighborhoods. As detailed previously, staff assisted in expansion projects for industry and redevelopment projects impacting downtown commercial and multifamily housing options. The revitalization of downtown through investments made in the streetscape and other redevelopment projects has resulted in additional interest and development in the downtown area. The Ascend mixed use development began construction in 2023. This is the first redevelopment project along the riverfront. The City partnered with Redline Development to redevelop underutilized city owned property along the riverfront within downtown. The commercial space will be occupied by Olmsted Medical Center. They will offer both primary and specialty care for our residents. Mineral Springs Brewery will expand to this new location, tripling their current space. The 69 luxury apartments are gaining strong interest in the community. Several of the units are already leased. The building is scheduled to be completed in early 2025. Home 2 Suites broke ground on an 88-room hotel project located off I-35. They worked with a local company, Rise Modular, to construct the facility. The 26th and Cedar apartment complex was completed in 2023 and the 75 units were leased by the end of the year. The large 5 building apartment complex, Westlake Meadows has completed their first building and work is continuing on the rest of the complex. The city working in partnership with the Chamber of Commerce and local partners completed a branding process. Other investments downtown include \$100,000 in forgivable loans from the EDA for downtown building improvements.

Quality of Life

The objective is to maximize resources that provide quality of life city services and programs, including safety and security, adherence to the city services and economic vitality goals, enhancing conveniences for our citizens, and providing the art, cultural and recreational amenities befitting the size and geographic location of Owatonna. One of the most popular amenities the city has is the parks and trail system thus a new section of trail was added in Kaplans Woods along with additional

maintenance on the existing trail with crack sealing and seal coating. Another well used area is the boat landing. A new entrance road and parking lot were reconstructed. Brooktree golf course had investments in the club house and a new food and beverage provider- Lacey's.

Another critical component of quality of life must be safety and security. The city has the lowest crime rate as compared to the neighboring cities of Albert Lea, Austin, and Faribault. Owatonna ranks 6th among group IV cities in the State. The police department continues to play an active role in the community through a variety of events both large and small. The city added a bike patrol with 16 certified police riders. These bikes are used to patrol the trails, parks and at community events for more engagement opportunities. OPD is intentional about looking for positive interactions with the public. A new program added was the Coptober event held at the library. Approximately 130 kids participated in finger printing, evidence processing, story time, sensory booth and photo booth. Demonstrations/tours were given by the K-9, SWAT and Drone. The Fire department protects the community and properties from fire and works hard to prevent fires before they happen through code inspection and safety education. There was a 20% increase in the number of inspections as a high priority was placed on this activity. 7 new paid on-call firefighters were hired and have completed their initial training. They are all state certified at the Firefighter I and II levels. The city has also added a High School firefighter training program for 12th graders to assist with increasing the pool of potential paid on-call firefighters.

Efficient Effective Government

This key focus area seeks to provide an innovative, efficient, and customer-focused government working collaboratively; attract, develop, and retain a high performing municipal workforce: City government is a service-based industry and high performing, and well-trained employees are a critical component to our success. The city wants to create a culture of efficiency and continuous improvement. As a result, the city has partnered with Employee Strategies to help improve our workplace culture. Year two of the three-year plan involved developing and identifying core values which would then be incorporated into our city culture. A draft purpose statement and values was created and shared with employees. The employees then completed a "looks and sounds like" exercise, and "best moments" exercise and were able to refine and finalize the purpose statement and values. Then the slow and steady roll-out began of the newly revised purpose and values statement. It was incorporated into agendas, personnel manuals, and posters at work sites. The values were also incorporated into City culture through a regular "City Shines" column in the city employee newsletter, highlighted in job postings, and shared at employee orientations for new employees.

Another key activity that has improved efficiency and effectiveness is the continued implementation of Open Gov software. The 2023 budget was prepared utilizing the new software and offered several efficiencies and greater transparency. Open Gov has enhanced communication, transparency, and efficiency in customer service across all city departments. Improvements include online permits from engineering, public works, fire, nuisance complaints and planning and zoning. Open Gov also provides a procurement tool that is utilized by all departments. It makes competitive bidding more efficient and ensures the city gets the best value. It ensures transparency and fairness by making records and data accessible to all vendors. Cartegraph is the asset management component of Open Gov that allows the city to track assets, maintenance schedules and work orders. The public facing See Click Fix module allows the public an easy way to report concerns via their phones.

To enhance customer focus, the city is executing a robust communication strategy including a weekly city e-newsletter, coordinated social media posts, production of "City Spotlight videos and two-way engagement platform. The City website is undergoing a redesign to enhance usability and

performance. Plans are to launch the new website in June of 2024. City council meetings are live streamed and future plans are to include an on-demand page on the website for city programming. The city wants to encourage active engagement and communication with its citizens.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Owatonna for its annual comprehensive financial report for the fiscal year ended December 31, 2022. This was the twelfth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. Credit is also due to the auditing firm of CliftonlarsenAllen, LLP for their valuable contributions and advice. I would also like to thank the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Owatonna's finances.

Respectfully submitted,



Kris M. Busse
City Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Owatonna
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

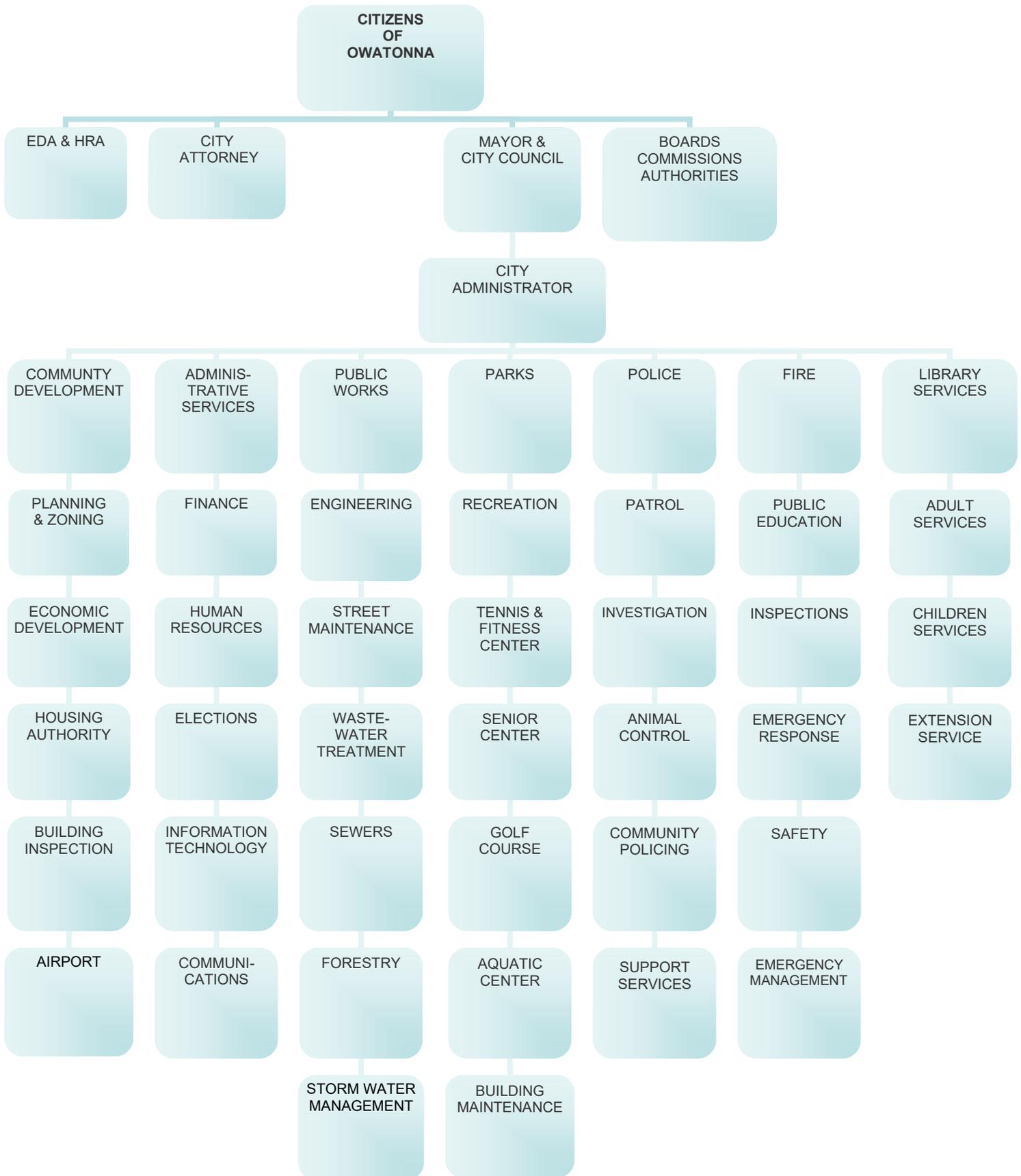
December 31, 2022

Christopher P. Morill

Executive Director/CEO

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City of Owatonna, Minnesota Organization Chart



City of Owatonna, Minnesota

Elected and Appointed Officials

December 31, 2023

City Council:

Thomas A. Kuntz	Mayor
Doug Voss	Council member at large
Dan Boeke	Council member at large
Nathan Dotson	Council member First Ward
Greg Schultz	Council member Second Ward
Dave Burbank	Council member Third Ward
Kevin Raney	Council member Fourth Ward
Brent Svenby	Council member Fifth Ward

City Officials:

Kris Busse	City Administrator
Sean Murphy	City Engineer/Director of Public Works
Jeff Mundale	Chief of Police
Rhonda Moen	Finance Director
Ed Hoffman	Fire Chief
Troy Klecker	Director of Community Development
Jenna Tuma	Director of Parks & Recreation
Emily Thamert	Director of Human Resources
Ryan Brown	Director of Information Technology
Mark Blando	Library Director
Mark M. Walbran	City Attorney

FINANCIAL SECTION

Honorable Mayor and
Members of the City Council
City of Owatonna

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Honorable Mayor and
Members of the City Council
City of Owatonna

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability, Schedule of City Contributions, and Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of nonmajor governmental funds and schedules of capital assets used in the operation of governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining statements of nonmajor governmental funds and schedules of capital assets used in the operation of governmental funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

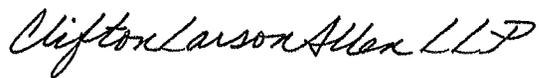
Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor and
Members of the City Council
City of Owatonna

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
June 10, 2024

Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the City of Owatonna's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter found on pages 1-6 and with the financial statements that follow.

Financial Highlights

- The assets and deferred outflows of resources of the City of Owatonna exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$300,236,675 (net position). Of this amount, \$67,215,365 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$23,876,240.
- As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$30,748,092, an increase of \$3,228,066 from the previous year. Over 68% of this amount, \$21,072,441, is available for spending at the government's discretion (assigned, committed and unassigned fund balance).
- At the end of the current fiscal year, the assigned, committed and unassigned fund balance for the general fund was \$13,788,931, or 57.8% of total general fund expenditures for 2023.
- The City of Owatonna's long-term liabilities increased significantly in 2023. Financing for the wastewater treatment plant expansion was obtained as well as financing for the current and prior year street projects. There was a decrease in the City's proportionate share of the pension liability.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Owatonna's basic financial statements. The City of Owatonna's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide statements are designed to provide readers with a broad overview of the City of Owatonna's finances, in a manner similar to private sector business.

- The Statement of Net Position presents information on all of the City of Owatonna's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Owatonna is improving or deteriorating.

- The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned, but unused absences).

Both of the government-wide financial statements distinguish functions of the City of Owatonna that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Owatonna include general government, public safety, public works, culture and recreation, and housing and economic development. The business-type activities of the City of Owatonna include a sewer utility, storm water utility, and a municipal electric, water, and gas utility. The electric, water and gas utility, comprising the Owatonna Public Utilities, are under the direction of their Board of Commissioners.

The government-wide financial statements include not only the City of Owatonna itself (known as the primary government), but also a legally separate Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) for which the City of Owatonna is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 28-31 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Owatonna, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Owatonna can be divided into two categories, governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities, in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental functions and governmental activities.

The City of Owatonna maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, the capital projects fund and the ARPA fund, all of which are considered major funds. Data from the other 26 funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Owatonna adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 34-43 of this report.

Proprietary funds. The City of Owatonna maintains five different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Owatonna uses enterprise funds to account for its sewer utility, storm water utility, electric, water and gas utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Owatonna's various functions. The City of Owatonna uses internal service funds to account for its risk management program and its vehicle replacement program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer fund, storm water fund, and the municipal electric, water, and gas funds, which are considered to be major funds of the City of Owatonna.

The basic proprietary fund financial statements can be found on pages 44-49 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-96 of this report.

Other information. Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules. Finally, the statistical section presents trend information, revenue capacity information, debt capacity information, demographics and economic information, and operating information.

City as a Whole

Government-wide Financial Statements

Net Position serves as a useful indicator of a government's financial position. For the City of Owatonna, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$300.2 million at the end of the current year. The largest portion of the City's net position are invested in capital assets (e.g. land, building, equipment and streets) and reported net of related outstanding debt (\$220.5 million, or 73.4%). The City uses these capital assets to provide services to its citizens; thus they do not represent resources available for future spending. An additional portion of the City of Owatonna's net position (\$12.5 million or 4.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$67.2 million or 22.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Owatonna is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's financial position improved during 2023 with their net position increasing by \$23.9 million from \$276.3 million to \$300.2 million.

A condensed version of the Statement of Net Position at December 31, 2023 follows:

Net Position at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2023	2022	2023	2022	2023
Cash and investments	\$34.0	\$32.2	\$51.0	\$40.1	\$85.0
Other assets	9.4	8.2	19.3	13.5	28.7
Capital assets	105.5	101.9	163.6	134.9	269.1
Total assets	<u>148.9</u>	<u>142.3</u>	<u>233.9</u>	<u>188.5</u>	<u>382.8</u>
Deferred outflows of resources	<u>10.2</u>	<u>12.2</u>	<u>1.4</u>	<u>1.9</u>	<u>11.6</u>
Other liabilities	9.0	5.5	15.9	9.6	24.9
Long term outstanding	24.3	37.2	30.2	12.4	54.5
Total liabilities	<u>33.3</u>	<u>42.7</u>	<u>46.1</u>	<u>22.0</u>	<u>79.4</u>
Deferred inflows of resources	<u>10.6</u>	<u>1.7</u>	<u>4.2</u>	<u>2.2</u>	<u>14.8</u>
Net position:					
Net investment in capital assets	89.0	87.0	131.5	131.3	220.5
Restricted	12.5	11.5			12.5
Unrestricted	13.7	11.6	53.5	34.9	67.2
Total net position	<u>\$115.2</u>	<u>\$110.1</u>	<u>\$185.0</u>	<u>\$166.2</u>	<u>\$300.2</u>

Governmental activities. Governmental activities provided a \$5.0 million increase to the City's net position. Investment earnings of \$1.4 million had a positive impact on the financial results for the City. The City benefitted from capital grants in 2023. These include a public safety grant in the amount of \$1.1 million from the state of Minnesota, a housing grant \$0.1 million from the state of Minnesota, municipal state aid for street projects in the amount of \$1.9 million. Planned expenditures were down due to vacant positions during 2023.

A condensed version of the Statement of Activities follows:

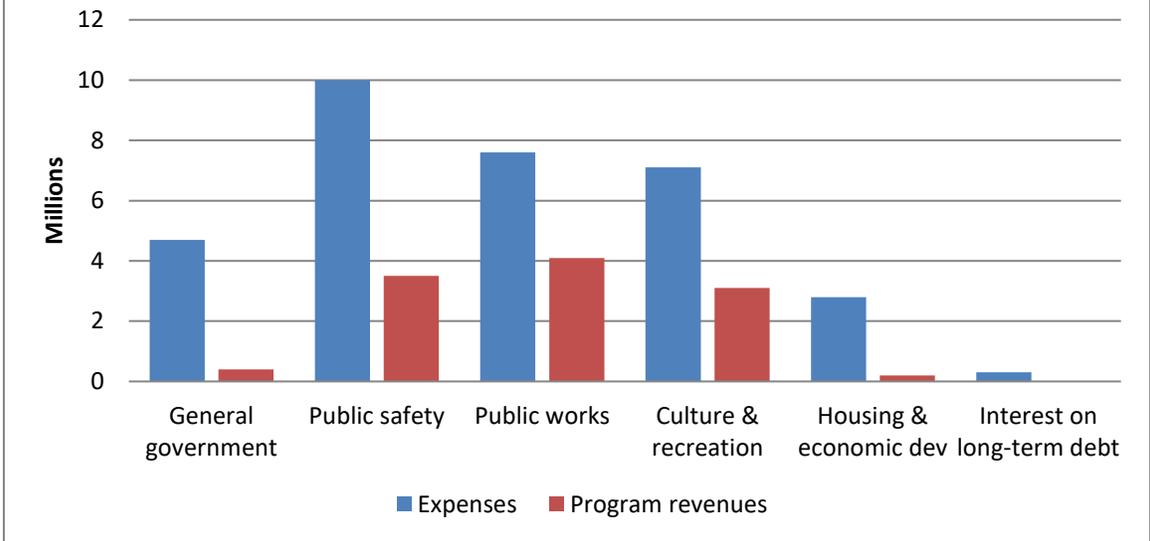
Governmental and Proprietary Activities
For the year ended December 31, 2023
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2023	2022	2023	2022	2023
Revenues					
Program revenues					
Charges for services	\$4.1	\$3.4	\$75.0	\$73.7	\$79.1
Grants and contributions					
Operating	1.8	1.7			1.8
Capital	5.5	2.1	12.0		17.5
General revenues					
Taxes	19.1	17.6	.3	.3	19.4
Lease revenues			.2	.3	.2
Interest	1.4	(.7)	1.9	(.3)	3.3
Sale of capital assets				.1	
Grants and contributions	5.0	4.8			5.0
Total revenues	<u>36.9</u>	<u>28.9</u>	<u>89.4</u>	<u>74.1</u>	<u>126.3</u>
Expenses					
General government	4.7	4.1			4.7
Public safety	10.0	8.9			10.0
Public works	7.6	5.3			7.6
Culture and recreation	7.1	5.9			7.1
Housing & economic dev	2.8	2.6			2.8
Miscellaneous					
Interest on long-term debt	.3				.3
Sewer			3.3	1.9	3.3
Storm water			.7	.3	.7
Electric			45.4	40.9	45.4
Water			4.2	3.7	4.2
Gas			16.3	18.3	16.3
Total expenses	<u>32.5</u>	<u>26.8</u>	<u>69.9</u>	<u>65.1</u>	<u>102.4</u>
Excess (deficiency) before transfers	4.4	2.1	19.5	9.0	23.9
Transfers	.7	.7	(.7)	(.7)	
Change in net position	5.1	2.8	18.8	8.3	23.9
Beginning net position	110.1	107.3	166.2	157.9	276.3
Ending net position	<u>\$115.2</u>	<u>\$110.1</u>	<u>\$185.0</u>	<u>\$166.2</u>	<u>\$300.2</u>

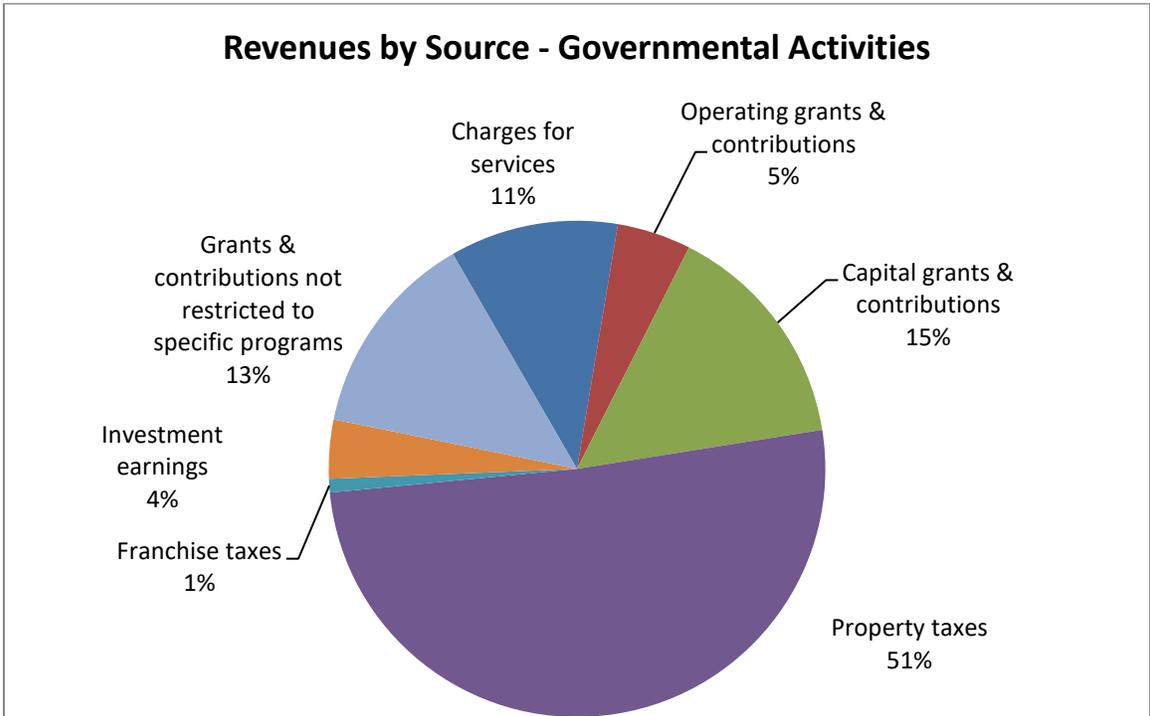
Business-type activities. Business-type activities provided a \$18.8 million increase to the City's total net position. Key elements of this increase are as follows:

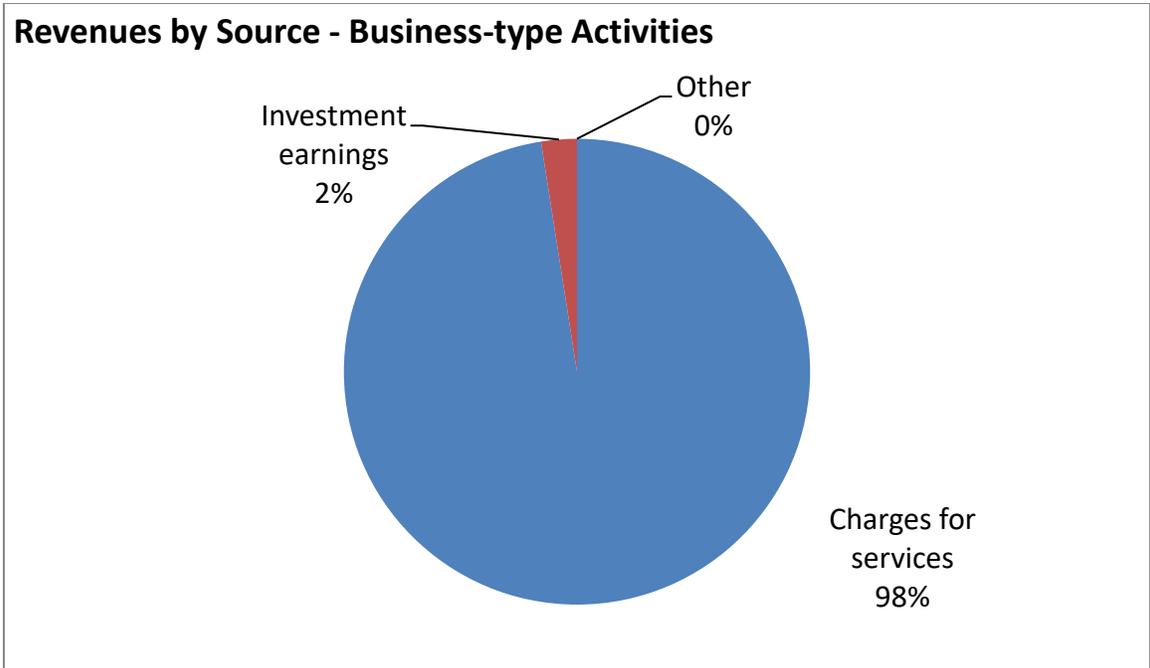
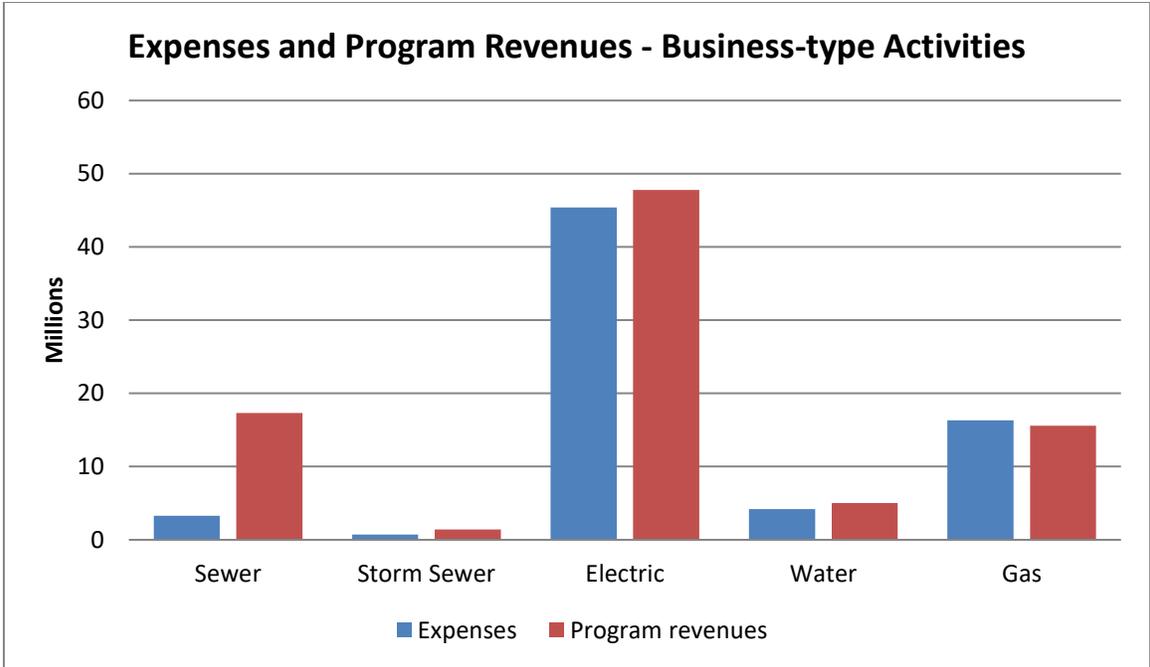
- \$3.6 million increase is attributable to the operations of the municipal electric, gas, and water utilities. This is a decrease from previous year. The electric and gas utilities can vary significantly depending on weather conditions.
- The Sewer fund had an increase in net position of \$14.0 million. This is attributed to the \$12.0 million in state grant funds received from the State of Minnesota for the wastewater expansion project.
- The Storm Water fund had a gain from operations of \$1.2 million which is consistent with previous years. This fund has started to finance it's own capital improvements rather than receive them as a contribution from governmental activities.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities





Financial Analysis of the Government's Funds

As noted earlier, the City of Owatonna uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Owatonna's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Owatonna's financing requirements. In particular, the City's assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$30.7 million, a \$3.2 million increase from the prior year. Over two-thirds of this total amount (\$21.1 million) constitutes assigned, committed and unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it is already either in nonspendable form, or restricted for 1) various capital projects (\$3.0 million), or 2) debt service (\$5.7 million), or 3) a variety of other restricted purposes (\$1.0 million).

The general fund is the chief operating fund of the City of Owatonna. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$13.8 million, while total fund balance was \$14.0 million. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance and total fund balance to total fund expenditures for 2023. Assigned and unassigned fund balance represents 57.8% of total general fund expenditures, while total fund balance represents 58.7% of that same amount.

The fund balance of the City of Owatonna's general fund increased by \$1.6 million during the current fiscal year. The key factors in this increase included investment earnings, licenses and permits and charges for services in the recreation programs all in excess of budget. On the expenditure side there were staff vacancies in several departments during 2023 and fuel costs were less than anticipated.

The debt service fund has a fund balance of \$5.7 million, all of which is restricted for the payment of debt service. There was an increase of \$0.1 million in fund balance during the year. The government collected \$1.5 million in debt service levy and \$0.6 million in assessments. \$1.9 million in debt was retired in 2023 plus \$0.4 million in interest costs. The debt service fund received a transfer of \$0.1 million from a non-major governmental fund which represented tax increment collected for the purpose of paying TIF bonds.

The capital projects fund has a fund balance of \$10.3 million, of which \$2.4 million is restricted for specific capital projects, \$6.1 million has been assigned for future capital projects and the council has committed \$1.8 million for specific capital projects. There was an increase of \$1.5 million in fund balance during the current year. This increase was due to the City issuing bonds for projects costs that were incurred in 2022. Additionally, the council transferred \$0.8 million for future projects they intend to complete.

The ARPA fund has a fund balance of \$0.1 million. The City received \$2.8 million in grant funds in 2021 and 2022, of which \$1.2 million was considered unearned as of the end of the year. The increase in fund balance is due to investment earnings.

There was no change in fund balance for the nonmajor governmental funds in 2023. The majority of activity in these funds is related to tax increment financing (TIF) funds. The increment is received and then disbursed as per the terms of the TIF plans.

Proprietary funds. The City of Owatonna's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at

the end of the year was \$21.2 million for the sewer fund, \$4.6 million for the storm water fund, \$28.0 million for the municipal electric, water and gas utilities. The total change in net position was \$14.1 million for the sewer fund, \$1.2 million for the storm water fund, \$3.6 million for the municipal electric, water and gas utilities. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Owatonna's business-type activities.

Budgetary Highlights

The current year budget included revenues equal to expenditures for the general fund. Actual expenditures were within the budgeted amount. Additional information on the budget can be found in note III.A. on page 61 of the basic financial statements.

Capital Assets and Debt Administration

Capital Assets. The City of Owatonna's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounts to \$269.1 million (net of accumulated depreciation). This investment in capital assets includes land and other rights, building, improvements, equipment, park facilities, roads, bridges, utility systems, and subscription based information technology arrangement assets. The total increase in the City of Owatonna's investment in capital assets for the current fiscal year was 13.6% (a 3.5% increase for governmental activities and a 21.3% increase for business-type activities).

Major capital asset events during the current year included the following:

- Vehicle acquisitions of \$1.0 million.
- Street reconstruction projects included the annual street and utility projects for 2022 and 2023 being completed in 2023 (\$1.9 million) and a portion of the costs related to the 18th Avenue project that was under construction as of the end of 2023 (\$0.7 million).
- An addition and renovation of the existing city council chambers was completed in 2023 for \$2.0 million.
- A mechanical upgrade to the River Springs waterpark was completed in 2023 for \$0.5 million.
- A major mechanical and electrical upgrade to Merrill Hall was underway at the end of 2023 resulting in an increase in construction in progress of \$1.5 million.
- The expansion of the WWTP which began in 2022, resulted in \$26.1 million increase in construction in progress. This project is expected to be completed in 2024 or 2025.
- Various system improvements were completed for the municipal water, electric and gas utilities at cost of \$10.0 million.

Capital Assets at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land and other rights	\$9.1	\$9.0	\$6.6	\$5.7	\$15.7	\$14.7
Buildings	30.2	28.1	47.7	47.7	77.9	75.8
Improvements	1.7	1.7			1.7	1.7
Equipment	19.5	18.4	18.2	18.6	37.7	37.0
Infrastructure	134.1	132.0	130.9	126.1	265.0	258.1
Construction in Progress	2.5	.3	44.8	18.4	47.3	18.7
Subtotal	197.1	189.5	248.2	216.5	445.3	406.0
Accumulated depreciation	92.1	87.6	84.6	81.6	176.7	169.2
Deprec capital assets, net	\$105.0	\$101.9	\$163.6	\$134.9	\$268.6	\$236.8
Subscription Based Information Technology Arrangement (SBITA) Assets	\$.7				\$.7	
Accumulated amortization	.2				.2	
SBITA assets, net	\$.5				\$.5	
Total capital assets, net	\$105.5	\$101.9	\$163.6	\$134.9	\$269.1	\$236.8

Additional information on the City's capital assets can be found in note IV.E. on pages 72-74 of the basic financial statements.

Long-term Debt. At year-end, the City had \$39.8 million in bonds and notes outstanding. There was \$26.4 million in debt issued in 2023. There was a total of \$3.7 million in debt retired during the year.

Debt Outstanding at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
G.O. Bonds	\$9.9	\$8.3			\$9.9	\$8.3
G.O. Improvement Bonds	3.5	4.4			3.5	4.4
G.O. Tax Increment Bonds	.1	.3			.1	.3
G.O. Revenue Bonds			\$1.9	\$2.4	1.9	2.4
Revenue Bonds			24.4	1.7	24.4	1.7
Total bonds payable	\$13.5	\$13.0	\$26.3	\$4.1	\$39.8	\$17.1

The City's bond rating is Aa1 from Moody's Investor Services. Other obligations include compensated absences. More detailed information on the City's long-term liabilities is presented in note IV.G. on pages 75-78 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The impacts of inflation have impacted the cost of City operations.
- The State of Minnesota legislature attempts to reach an agreement on the funding level of LGA on an annual basis. This has proven to be a contentious issue each legislative session and has a potential to be at risk due to the pandemic as the State's total revenues have been greatly impacted. The uncertainty of future LGA funding levels does create a challenge.
- The City of Owatonna has established a building maintenance fund in order to address the maintenance needs of the many buildings the City owns. The funding for this began in 2018.
- The City of Owatonna has seen its population increase 4.3% since the 2020 census.
- The City of Owatonna was at record low local unemployment rates prior to the pandemic. Development activity has remained busy and employment numbers have bounced back.

Unrestricted fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the City maintain a balance between thirty and fifty percent of fund operating revenues or no less than 5 months of operating expenditures. The committed, assigned and unassigned fund balance of the general fund, which is the equivalent of "unrestricted fund balance" at the end of the current fiscal year equaled 52.6% of next years' budgeted expenditures.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 540 West Hills Circle, Owatonna, Minnesota 55060.

BASIC FINANCIAL STATEMENTS

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CITY OF OWATONNA, MINNESOTA
Statement of Net Position
December 31, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Activities	Economic Development Activities
ASSETS					
Cash and cash equivalents	\$13,830,815	\$21,724,654	\$35,555,469	\$541,725	\$461,689
Investments	20,158,868	29,298,883	49,457,751		1,300,000
Interest receivable	211,121		211,121		60
Taxes receivable - delinquent	177,087		177,087	2,126	
Accounts receivable	194,582	7,538,779	7,733,361	2,775	18,059
Assessments receivable	2,411,891	8,760	2,420,651		
Due from other governments	3,180,444	6,172,430	9,352,874	58,372	
Due from component units	1,848		1,848		
Inventories	57,398	1,922,346	1,979,744		
Land held for resale		1,526,154	1,526,154	184,208	2,148,713
Loans receivable	659,419		659,419	6,170	2,048,120
Prepaid items	205,074		205,074		
Internal balances	988,191	(988,191)			
Restricted assets:					
Cash and cash equivalents				60,524	
Lease receivable	206,509	2,479,106	2,685,615		
Other assets		660,266	660,266		
Net Pension Asset	1,125,809		1,125,809		
Capital assets:					
Land and land rights	9,102,148	6,575,756	15,677,904		508,251
Buildings	30,213,570	47,746,687	77,960,257	52,000	
Improvements other than buildings	1,742,713		1,742,713		
Equipment	19,487,361	18,228,068	37,715,429		
Infrastructure	134,020,030	130,777,102	264,797,132		
Construction in progress	2,493,173	44,832,516	47,325,689		
Less: accumulated depreciation	(92,092,898)	(84,568,706)	(176,661,604)	(21,396)	
Subscription based information technology arrangement (SBITA) asset	717,310		717,310		
Less: accumulated amortization	(200,559)		(200,559)		
Total assets	148,891,904	233,934,610	382,826,514	886,504	6,484,892
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	10,060,441	1,358,810	11,419,251		
Other post-empl benefits related	113,358	26,104	139,462		
	10,173,799	1,384,914	11,558,713		

LIABILITIES					
Accounts payable	\$2,390,769	\$9,495,590	\$11,852,699	\$6,585	\$63,375
Retainage payable	346,492	1,806,835	2,153,327		
Accrued wages	540,036	373,149	913,185		
Accrued interest payable	157,222	178,649	335,871		
Deposits	135,150		135,150	25,104	
Surcharges payable	18,279		18,279		
Unearned revenue	1,283,241	1,038,921	2,322,162	4,000	
Due to other governments	733,261	185,207	918,468	24,977	
Due to primary government					1,848
Noncurrent liabilities:					
Due within one year	3,356,889	2,853,519	6,210,408		
Due in more than one year	13,259,340	25,147,274	38,406,614		
Accrued OPEB liability	652,337	194,599	846,936		
Net pension liability	10,381,747	4,874,863	15,256,610		
	<u>33,254,763</u>	<u>46,114,946</u>	<u>79,369,709</u>	<u>60,666</u>	<u>65,223</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	9,886,013	1,656,614	11,542,627		
Other post-employment benefits related	533,649	90,875	624,524		
Lease receivable	202,663	2,407,256	2,609,919		
Gain on bond refunding		1,773	1,773		
	<u>10,622,325</u>	<u>4,156,518</u>	<u>14,778,843</u>		
NET POSITION					
Net investment in capital assets	88,990,330	131,497,179	220,487,509	30,604	508,251
Restricted for:					
Library Hunewill	16,500		16,500		
Library memorials	645,222		645,222		
Net pension asset	1,125,809		1,125,809		
Debt service	7,605,461		7,605,461		
Dam repair	57,056		57,056		
Grant projects	21		21		
Capital projects	3,006,257		3,006,257		
Housing programs				35,420	
Economic development	77,475		77,475		5,803,885
Unrestricted	13,664,484	53,550,881	67,215,365	759,814	107,533
	<u>13,664,484</u>	<u>53,550,881</u>	<u>67,215,365</u>	<u>759,814</u>	<u>107,533</u>
	<u>\$115,188,615</u>	<u>\$185,048,060</u>	<u>\$300,236,675</u>	<u>\$825,838</u>	<u>\$6,419,669</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF OWATONNA, MINNESOTA
Statement of Activities
For the year ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$4,723,170	\$265,559	\$10,009	\$171,063
Public safety	10,010,175	1,202,958	1,102,008	1,166,081
Public works	7,611,725	853,428	276,216	3,031,757
Culture and recreation	7,073,746	1,680,204	385,013	1,033,553
Housing & economic development	2,769,617	37,525		133,051
Interest on long-term debt	282,711			
Total governmental activities	<u>32,471,144</u>	<u>4,039,674</u>	<u>1,773,246</u>	<u>5,535,505</u>
Business-type activities:				
Sewer	3,342,876	5,288,154		12,035,310
Storm water	663,660	1,405,876		
Electric	45,398,423	47,761,260		
Water	4,272,697	4,954,756		
Gas	16,340,891	15,618,966		
Total business-type activities	<u>70,018,547</u>	<u>75,029,012</u>		<u>12,035,310</u>
Total primary government	<u>\$102,489,691</u>	<u>\$79,068,686</u>	<u>\$1,773,246</u>	<u>\$17,570,815</u>
Component Units:				
Housing & redevelopment authority	\$1,419,767	\$64,587	\$1,276,320	
Economic development authority	989,536	155,191	352,000	
Component Unit	<u>\$2,409,303</u>	<u>\$219,778</u>	<u>\$1,628,320</u>	

General revenues:
Property taxes
Lodging tax
Franchise taxes
Lease revenues
Grants and contributions not restricted to specific programs
Unrestricted investment earnings (loss)
Gain on sale of capital assets
Transfers
Total general revenues and transfers

Change in net position

Net position – beginning

Net position – ending

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Authority	Economic Development Authority
\$ (4,276,539)		\$ (4,276,539)		
(6,539,128)		(6,539,128)		
(3,450,324)		(3,450,324)		
(3,974,976)		(3,974,976)		
(2,599,041)		(2,599,041)		
(282,711)		(282,711)		
<u>(21,122,719)</u>		<u>(21,122,719)</u>		
	\$13,980,588	\$13,980,588		
	742,216	742,216		
	2,362,837	2,362,837		
	682,059	682,059		
	<u>(721,925)</u>	<u>(721,925)</u>		
	<u>17,045,775</u>	<u>17,045,775</u>		
			\$ (78,860)	\$ (482,345)
			<u>(78,860)</u>	<u>(482,345)</u>
18,773,190	320,249	19,093,439	195,388	195,000
325,724		325,724		282,938
	243,915	243,915		
4,961,379		4,961,379		
1,412,326	1,853,795	3,266,121	21,503	73,166
	62,606	62,606		150,912
686,825	<u>(686,825)</u>			
<u>26,159,444</u>	<u>1,793,740</u>	<u>27,953,184</u>	<u>216,891</u>	<u>702,016</u>
5,036,725	18,839,515	23,876,240	138,031	219,671
110,151,890	166,208,545	276,360,435	687,807	6,199,998
<u>\$115,188,615</u>	<u>\$185,048,060</u>	<u>\$300,236,675</u>	<u>\$825,838</u>	<u>\$6,419,669</u>

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Major Funds

Governmental

General Fund

This fund accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are state and county shared revenue and property taxes.

Debt Service Fund

This fund was established to account for the accumulation of special assessments levied against property for improvements which are a benefit to such property, the debt service tax levy for the non-assessable portion of projects, and any other source of funding related to debt service. These resources are used for the payment of principal and interest on the debt of the City.

Capital Projects Fund

This fund was established to account for financial resources to be used for the acquisition or construction of major capital assets. This includes street improvement projects as well as capital asset purchases.

American Rescue Plan Act (ARPA) Fund

This fund was established to account for financial resources received under the American Rescue Plan Act of 2022.

Proprietary

The City's enterprise funds are used to account for self-supporting activities that render services to the general public on a user charge basis.

Sewer Fund

This fund accounts for the income and expenses in the operation of the sanitary sewer collection function and wastewater treatment.

Storm Water Fund

This fund accounts for the income and expenses in the operation of the storm water management function.

Electric Fund

This fund accounts for the income and expenses in the operation of the electric distribution function.

Water Fund

This fund accounts for the income and expenses in the operation of the water distribution function.

Gas Fund

This fund accounts for the income and expenses in the operation of the gas distribution function.

CITY OF OWATONNA, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash	\$6,040,589	\$3,135,573	\$2,519,768
Investments	8,508,868	2,500,000	5,750,000
Interest receivable	211,121		
Taxes receivable – delinquent	177,087		
Accounts receivable	190,951		
Assessments receivable		2,142,642	269,249
Due from other funds	3,018		810,140
Due from other governments	587,527		2,592,917
Lease receivable	206,509		
Inventories	57,398		
Advance to other funds	121,136		771,060
Loans receivable			659,419
Total assets	\$16,104,204	\$7,778,215	\$13,372,553
LIABILITIES			
Accounts payable	\$1,050,823	\$144	\$910,274
Retainage payable			346,492
Accrued wages	540,036		
Surcharges payable	18,279		
Deposits	135,150		
Unearned revenue	16,068		51,000
Due to other funds	3,183	23,570	
Due to other governments			733,261
Advance from other funds			121,136
Total liabilities	1,763,539	23,714	2,162,163
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	112,606	2,053,905	928,606
Lease receivable	202,663		
Total deferred inflows of resources	315,269	2,053,905	928,606
FUND BALANCES			
Fund Balances			
Nonspendable:			
Inventories	57,398		
Advance to other funds	121,136		
Restricted for:			
Library Hunewill			
Library memorial			
Debt service		5,700,596	
Dam repair	57,056		
Airport programs	875		
Grant projects			
Capital projects			2,370,563
Economic development			6,010
Committed for:			
Capital projects			1,761,998
Assigned for:			
Capital projects			6,143,213
Compensated absences/OPEB	2,914,999		
Unassigned	10,873,932		
Total fund balances	14,025,396	5,700,596	10,281,784
Total liabilities, deferred inflows of resources and fund balances	\$16,104,204	\$7,778,215	\$13,372,553

The notes to the basic financial statements are an integral part of this statement.

ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$178,289	\$797,161	\$12,671,380
1,200,000	600,000	18,558,868
		211,121
		177,087
		190,951
		2,411,891
		813,158
		3,180,444
		206,509
		57,398
		892,196
		659,419
<u>\$1,378,289</u>	<u>\$1,397,161</u>	<u>\$40,030,422</u>
\$18,833	\$27,085	\$2,007,159
		346,492
		540,036
		18,279
		135,150
1,216,173		1,283,241
	1,983	28,736
		733,261
	771,060	892,196
<u>1,235,006</u>	<u>800,128</u>	<u>5,984,550</u>
		3,095,117
		202,663
		<u>3,297,780</u>
		57,398
		121,136
	16,500	16,500
	645,222	645,222
		5,700,596
		57,056
		875
	21	21
	634,819	3,005,382
	71,465	77,745
		1,761,998
143,283		6,286,496
		2,914,999
	(770,994)	<u>10,102,938</u>
<u>143,283</u>	<u>597,033</u>	<u>30,748,092</u>
<u>\$1,378,289</u>	<u>\$1,397,161</u>	<u>\$40,030,422</u>

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CITY OF OWATONNA, MINNESOTA
Reconciliation of the Balance Sheet of
Governmental Funds to the
Statement of Net Position
December 31, 2023

Fund balance – total governmental funds	\$30,748,092
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	100,315,924
Net Pension Asset is included in the Statement of Net Position.	1,125,809
Deferred pension outflows of \$10,060,441 and inflows of \$(9,886,013) are included in the Statement of Net Position.	174,428
Deferred other post-employment benefits outflows of \$113,358 and inflows of \$(533,649) are included in the Statement of Net Position	(420,291)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds.	(27,807,535)
Internal service fund assets and liabilities are included in governmental activities in the Statement of Net Position.	7,957,071
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	3,095,117
Net Position of Governmental Activities	<u><u>\$115,188,615</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes	\$14,427,629	\$1,535,227	\$705,000
Licenses and permits	619,896		
Intergovernmental revenue	6,481,041		3,534,623
Charges for service	2,494,117		
Fines and forfeits	136,186		
Special assessments		573,699	33,727
Interest on investments	719,085	207,816	315,312
Miscellaneous	685,262		117,806
Total revenues	25,563,216	2,316,742	4,706,468
EXPENDITURES			
Current:			
General government	3,813,455	5,075	
Public safety	8,939,081		
Public works	5,041,684		
Culture and recreation	5,490,235		
Housing & economic development	394,759		
Miscellaneous			87,519
Capital outlay	39,301		6,437,044
Debt service:			
Principal retired	211,676	1,900,000	
Interest and service charges		416,116	68,012
Total expenditures	23,930,191	2,321,191	6,592,575
Excess of revenues over (under) expenditures	1,633,025	(4,449)	(1,886,107)
OTHER FINANCING SOURCES (USES)			
SBITA proceeds	53,225		
Bond issuance			2,440,000
Premium on bonds			154,263
Transfers out	(800,000)		
Transfers in	686,825	83,520	800,000
Total other financing sources (uses)	(59,950)	83,520	3,394,263
Net change in fund balance	1,573,075	79,071	1,508,156
Fund balance - beginning	12,452,321	5,621,525	8,773,628
Fund balance – ending	\$14,025,396	\$5,700,596	\$10,281,784

The notes to the basic financial statements are an integral part of this statement.

ARPA Fund	Non-major Governmental Funds	Total Governmental Funds
	\$2,569,808	\$19,237,664
\$1,118,242		619,896
		11,133,906
		2,494,117
		136,186
109,234	60,879	607,426
	125,778	1,412,326
<u>1,227,476</u>	<u>2,756,465</u>	<u>36,570,367</u>
		3,818,530
		8,939,081
		5,041,684
		5,490,235
	2,351,889	2,746,648
171,063	83,528	342,110
947,179	278,998	7,702,522
		2,111,676
		484,128
<u>1,118,242</u>	<u>2,714,415</u>	<u>36,676,614</u>
<u>109,234</u>	<u>42,050</u>	<u>(106,247)</u>
		53,225
		2,440,000
		154,263
	(83,520)	(883,520)
		1,570,345
	<u>(83,520)</u>	<u>3,334,313</u>
109,234	(41,470)	3,228,066
34,049	638,503	27,520,026
<u>\$143,283</u>	<u>\$597,033</u>	<u>\$30,748,092</u>

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CITY OF OWATONNA, MINNESOTA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the year ended December 31, 2023

Net change in fund balances – total governmental funds	\$3,228,066
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays (\$7,469,367) exceeded depreciation (\$4,353,498)/amortization (200,559) in the current period.	2,915,310
Governmental funds report proceeds from the sale of capital assets, in the statement of activities only the gain or (loss) is reported.	(145,712)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	136,464
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	(482,587)
Net changes in the net pension asset/liability and the additions and amortization of deferred inflows and outflows related to pensions in the Statement of Activities.	(1,087,305)
Net changes in the net other post-employment benefits liability and the additions and amortization of deferred inflows and outflows related to other post-employment in the Statement of Activities.	152
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	155,612
The net revenue (expense) of the internal service funds is reported with governmental activities.	316,725
Change in Net Position of Governmental Activities	<hr style="border: 0.5px solid black;"/> <u>\$5,036,725</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
For the year ended December 31, 2023

	<u>Budget</u>		<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$14,276,897	\$14,276,897	\$14,427,629	\$150,732
Licenses and permits	430,175	430,175	619,896	189,721
Intergovernmental revenue	6,370,676	6,370,676	6,481,041	110,365
Charges for service	2,108,795	2,108,795	2,494,117	385,322
Fines and forfeits	151,920	151,920	136,186	(15,734)
Interest on investments	50,000	50,000	719,085	669,085
Miscellaneous	561,875	561,875	685,262	123,387
	<u>23,950,338</u>	<u>23,950,338</u>	<u>25,563,216</u>	<u>1,612,878</u>
EXPENDITURES				
Current:				
General government				
Mayor & council	567,100	567,100	429,505	137,595
Administrative services	2,333,741	2,333,741	2,235,643	98,098
City attorney	272,207	272,207	272,273	(66)
Government buildings	1,032,855	1,032,855	876,034	156,821
Total general government	<u>4,205,903</u>	<u>4,205,903</u>	<u>3,813,455</u>	<u>392,448</u>
Public safety				
Police	6,142,200	6,142,200	6,199,881	(57,681)
Fire	2,161,298	2,161,298	2,138,740	22,558
Building inspection	555,006	555,006	600,460	(45,454)
Total public safety	<u>8,858,504</u>	<u>8,858,504</u>	<u>8,939,081</u>	<u>(80,577)</u>
Public works				
Engineering	1,157,545	1,157,545	923,553	233,992
Street maintenance	3,602,847	3,602,847	3,471,791	131,056
Airport	560,219	560,219	646,340	(86,121)
Total public works	<u>5,320,611</u>	<u>5,320,611</u>	<u>5,041,684</u>	<u>278,927</u>
Culture and recreation				
Library	1,279,353	1,279,353	1,224,068	55,285
Park & rec administration	441,855	441,855	445,184	(3,329)
Park maintenance	2,313,323	2,313,323	2,207,466	105,857
Recreation	1,575,104	1,575,104	1,613,517	(38,413)
Total culture and recreation	<u>5,609,635</u>	<u>5,609,635</u>	<u>5,490,235</u>	<u>119,400</u>
Housing & economic development				
Planning & zoning	442,510	442,510	394,759	47,751
Total housing & economic develop	<u>442,510</u>	<u>442,510</u>	<u>394,759</u>	<u>47,751</u>

(Continued)

The notes to the basic financial statements are an integral part of this statement.

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund (Continued)
For the year ended December 31, 2023

	<u>Budget</u>		<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	\$0	\$0	\$39,301	\$(39,301)
Principal	0	0	211,676	(211,676)
Total expenditures	<u>24,437,163</u>	<u>24,437,163</u>	<u>23,930,191</u>	<u>506,972</u>
Excess of revenues over (under) expenditures	(486,825)	(486,825)	1,633,025	(2,119,850)
OTHER FINANCING SOURCES (USES)				
SBITA proceeds	0	0	53,225	53,225
Transfers out	(200,000)	(200,000)	(800,000)	600,000
Transfers in	686,825	686,825	686,825	
Total other financing sources and uses	<u>486,825</u>	<u>486,825</u>	<u>(59,950)</u>	<u>546,775</u>
Net change in fund balance			1,573,075	(1,573,075)
Fund balance – beginning	<u>12,452,321</u>	<u>12,452,321</u>	<u>12,452,321</u>	
Fund balance – ending	<u>12,452,321</u>	<u>12,452,321</u>	<u>14,025,396</u>	<u>(1,573,075)</u>

CITY OF OWATONNA, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$4,445,594	\$1,660,586	\$6,156,390
Investments	10,630,000	2,900,000	5,984,554
Accounts receivable	30,999		4,789,881
Assessments receivable	8,760		
Lease receivable			
Due from other funds	982,047	110,000	28,736
Due from other governments	6,172,430		
Inventories at cost			1,468,761
Other assets			1,327,553
Total current assets	<u>22,269,830</u>	<u>4,670,586</u>	<u>19,755,875</u>
Noncurrent assets:			
Capital assets – net	63,005,761	13,180,970	48,201,277
Lease receivable			
Land held for future use			
Total noncurrent assets	<u>63,005,761</u>	<u>13,180,970</u>	<u>48,201,277</u>
Total assets	<u>85,275,591</u>	<u>17,851,556</u>	<u>67,957,152</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	128,480	16,196	613,927
Other post-employment benefits related	7,235		8,491
Total deferred outflows of resources	<u>135,715</u>	<u>16,196</u>	<u>622,418</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,602,793	28,641	3,431,429
Retainage payable	1,806,835		
Accrued wages	32,917	4,046	203,470
Accrued interest payable	163,537	15,112	
Due to other funds			1,351,485
Due to other governments			147,982
Unearned revenue			608,377
Accrued compensated absences	70,000		134,296
Notes and bonds payable – net	2,085,000	450,000	
Total current liabilities	<u>7,761,082</u>	<u>497,799</u>	<u>5,877,039</u>
Noncurrent liabilities:			
Notes and bonds payable – net	22,310,027	1,510,727	
Net pension liability	460,707	58,075	2,330,105
Accrued compensated absences	29,544	322	732,051
Accrued OPEB liability	41,637		68,833
Total noncurrent liabilities	<u>22,841,915</u>	<u>1,569,124</u>	<u>3,130,989</u>
Total liabilities	<u>30,602,997</u>	<u>2,066,923</u>	<u>9,008,028</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	149,269	18,816	744,621
Other post-employment benefits related	34,063		25,562
Lease receivable			
Gain on refunding		1,773	
Total deferred inflows of resources	<u>183,332</u>	<u>20,589</u>	<u>770,183</u>
NET POSITION			
Net investment in capital assets	33,424,191	11,222,016	48,201,277
Unrestricted	21,200,786	4,558,224	10,600,082
Total net position	<u>\$54,624,977</u>	<u>\$15,780,240</u>	<u>\$58,801,359</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net Position of Business-type Activities

The notes to the basic financial statements are an integral part of this statement.

- Enterprise Funds			Governmental Activities
Water Fund	Gas Fund	Total Enterprise Funds	Internal Service Funds
\$3,826,479	\$5,635,605	\$21,724,654	\$1,209,435
3,407,937	6,376,392	29,298,883	1,550,000
393,212	2,324,687	7,538,779	3,631
151,153		8,760	
		151,153	
		1,120,783	
		6,172,430	
61,876	391,709	1,922,346	
72,012	126,589	1,526,154	205,074
<u>7,912,669</u>	<u>14,854,982</u>	<u>69,463,942</u>	<u>2,986,140</u>
21,671,691	17,531,724	163,591,423	5,166,924
2,327,953		2,327,953	
	660,266	660,266	
<u>23,999,644</u>	<u>18,191,990</u>	<u>166,579,642</u>	<u>5,166,924</u>
<u>31,912,313</u>	<u>33,046,972</u>	<u>236,043,584</u>	<u>8,135,064</u>
256,519	343,688	1,358,810	
4,151	6,227	26,104	
<u>260,670</u>	<u>349,915</u>	<u>1,384,914</u>	
173,562	2,225,505	9,461,930	383,610
		1,806,835	
52,751	79,965	373,149	
		178,649	
553,720		1,905,205	
3,565	33,660	185,207	
24,806	405,738	1,038,921	
43,445	70,778	318,519	
		2,535,000	
<u>851,849</u>	<u>2,815,646</u>	<u>17,803,415</u>	<u>383,610</u>
		23,820,754	
900,901	1,125,075	4,874,863	
259,409	305,194	1,326,520	
33,652	50,477	194,599	
<u>1,193,962</u>	<u>1,480,746</u>	<u>30,216,736</u>	
<u>2,045,811</u>	<u>4,296,392</u>	<u>48,020,151</u>	<u>383,610</u>
315,376	428,532	1,656,614	
12,500	18,750	90,875	
2,407,256		2,407,256	
		1,773	
<u>2,735,132</u>	<u>447,282</u>	<u>4,156,518</u>	
21,117,971	17,531,724	131,497,179	5,166,924
6,274,069	11,121,489	53,754,650	2,584,530
<u>\$27,392,040</u>	<u>\$28,653,213</u>	<u>185,251,829</u>	<u>\$7,751,454</u>
		(203,769)	
		<u>\$185,048,060</u>	

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2023

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
OPERATING REVENUES:			
Charges for service	\$5,287,990	\$1,405,876	\$47,761,260
Miscellaneous	164		
Total operating revenues	5,288,154	1,405,876	47,761,260
OPERATING EXPENSES:			
Operation and maintenance	1,576,671	269,894	38,988,767
Depreciation	1,051,240	373,518	2,305,666
Utility service contributed to city			1,141,256
Capitalized internal costs			
Administrative costs	377,713		2,962,734
Total operating expenses	3,005,624	643,412	45,398,423
Operating income (loss)	2,282,530	762,464	2,362,837
Non-operating revenues (expenses)			
Property taxes		320,249	
Intergovernmental revenue	12,035,310		
Gain/(loss) on capital assets	17,399		18,418
Income (loss) on investments	663,706	188,237	392,911
Lease revenue			
Lease interest income			
Interest expense and fiscal charges	(316,166)	(19,721)	
Total non-operating revenues (expenses)	12,400,249	488,765	411,329
Income (loss) before contributions & transfers	14,682,779	1,251,229	2,774,166
Capital contributions			
Transfer out	(605,625)	(81,200)	
Total contributions & transfers	(605,625)	(81,200)	
Change in net position	14,077,154	1,170,029	2,774,166
Total net position – beginning	40,547,823	14,610,211	56,027,193
Total net position – ending	\$54,624,977	\$15,780,240	\$58,801,359
Change in net position reflected above			
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Change in Net Position of Business-type Activities			

The notes to the basic financial statements are an integral part of this statement.

- Enterprise Funds			Governmental Activities
Water Fund	Gas Fund	Total Enterprise Funds	Internal Service Funds
\$4,954,756	\$15,618,966	\$75,028,848	\$3,780,811
		164	
<u>4,954,756</u>	<u>15,618,966</u>	<u>75,029,012</u>	<u>3,780,811</u>
1,882,906	12,955,933	55,674,171	2,784,477
662,505	750,609	5,143,538	830,330
180,965	238,734	1,560,955	
<u>1,461,407</u>	<u>2,395,615</u>	<u>7,197,469</u>	
<u>4,187,783</u>	<u>16,340,891</u>	<u>69,576,133</u>	<u>3,614,807</u>
<u>766,973</u>	<u>(721,925)</u>	<u>5,452,879</u>	<u>166,004</u>
		320,249	
		12,035,310	
(84,914)	26,789	(22,308)	129,108
197,637	411,304	1,853,795	
200,644		200,644	
43,271		43,271	
		(335,887)	
<u>356,638</u>	<u>438,093</u>	<u>14,095,074</u>	<u>129,108</u>
1,123,611	(283,832)	19,547,953	295,112
			67,078
		(686,825)	
		(686,825)	67,078
1,123,611	(283,832)	18,861,128	362,190
26,268,429	28,937,045	166,390,701	7,389,264
<u>\$27,392,040</u>	<u>\$28,653,213</u>	<u>\$185,251,829</u>	<u>\$7,751,454</u>
		\$18,861,128	
		21,613	
		<u>\$18,839,515</u>	

CITY OF OWATONNA, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2023

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$5,134,241	\$1,405,875	\$46,110,273
Cash payments to suppliers for goods and services	(140,979)	(194,277)	(42,226,849)
Cash payments to employees for services	(868,982)	(106,539)	(724,082)
Other cash receipts			1,570,786
Net cash provided by (used for) operating activities	<u>4,124,280</u>	<u>1,105,059</u>	<u>4,730,128</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	(605,625)	(81,200)	
Lease receipts			
Net cash provided by (used for) noncapital financing activities	<u>(605,625)</u>	<u>(81,200)</u>	
CASH FLOWS FROM CAPITAL AND REL. FIN. ACTIVITIES			
Acquisition of capital assets	(24,000,798)	(344,515)	(4,068,719)
Disposition of capital assets	17,399		18,418
Taxes levied for debt service		320,249	
Grant proceeds	5,862,880		
Proceeds from sale of bonds	24,009,099		
Principal paid on revenue bonds/notes payable	(1,336,000)	(435,000)	
Interest expense and fiscal charges	(161,682)	(51,863)	
Net cash used for capital and rel. fin. activities	<u>4,390,898</u>	<u>(511,129)</u>	<u>(4,050,301)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(4,230,000)		(1,900,000)
Proceeds from sale of investment securities			1,046,000
Interest on investments	663,706	188,237	208,036
Net cash provided by (used for) investing activities	<u>(3,566,294)</u>	<u>188,237</u>	<u>(645,964)</u>
Net increase (decrease) in cash and cash equivalents	4,343,259	700,967	33,863
Cash and cash equivalents – beginning of the year	102,335	959,619	6,122,527
Cash and Cash Equivalents – end of the year	<u>\$4,445,594</u>	<u>\$1,660,586</u>	<u>\$6,156,390</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income(loss)	\$2,282,530	\$762,464	\$2,362,837
Adjustments			
Depreciation	1,051,240	373,518	2,305,666
Net changes in assets and deferred outflows and liabilities and deferred inflows:			
Accounts receivable	(17,965)		(251,103)
Assessments receivable	1,895		
Inventories at cost			(370,727)
Other current assets	(137,843)		53,689
Deferred outflows	48,045	13,847	186,004
Accounts payable and accrued expenses	867,661	(19,984)	123,868
Unearned revenue			167,339
Net pension liability	(119,501)	(41,273)	(506,257)
OPEB and compensated absences	5,985	27	(19,108)
Deferred inflows	142,233	16,460	677,920
Net cash provided by (used for) operating activities	<u>\$4,124,280</u>	<u>\$1,105,059</u>	<u>\$4,730,128</u>
Noncash investing, capital, and financing activities:			
Amortization of gain on refunding		\$(10,637)	
Amortization of bond premium		(27,791)	
Loss on disposition of capital assets			
Change in fair value of investments			\$23,287
Capital Contributions			
Retainage/Assets purchased on account with contracts payable	\$2,572,996		

The notes to the basic financial statements are an integral part of this statement.

- Enterprise Funds			Governmental Activities
Water Fund	Gas Fund	Enterprise Funds	Internal Service Funds
\$4,650,946	\$16,527,003	\$73,828,338	\$3,780,963
(3,222,368)	(15,162,460)	(60,946,933)	(2,530,230)
(228,246)	(767,433)	(2,695,282)	
287,615	644,600	2,503,001	
<u>1,487,947</u>	<u>1,241,710</u>	<u>12,689,124</u>	<u>1,250,733</u>
		(686,825)	
208,927		208,927	
208,927		(477,898)	
(661,656)	(2,427,992)	(31,503,608)	(936,108)
4,526	26,789	67,132	131,846
		5,862,880	
		320,249	
		24,009,099	
		(1,771,000)	
		(213,545)	
<u>(657,130)</u>	<u>(2,401,203)</u>	<u>(3,228,793)</u>	<u>(804,262)</u>
(900,000)	(2,148,000)	(9,178,000)	
1,096,000	4,967,287	7,109,287	130,000
103,709	401,347	1,565,035	
<u>299,709</u>	<u>3,220,634</u>	<u>(503,678)</u>	<u>130,000</u>
1,339,453	2,061,141	8,478,683	576,471
2,487,026	3,574,464	13,245,971	632,964
<u>\$3,826,479</u>	<u>\$5,635,605</u>	<u>\$21,724,654</u>	<u>\$1,209,435</u>
\$766,973	\$(721,925)	\$5,452,879	\$506,553
662,505	750,609	5,143,538	436,955
(11,462)	476,057	195,527	1,195
(6,099)	(43,433)	1,895	
17,191	807,289	(420,259)	(5,100)
124,176	217,831	690,287	
23,029	(281,598)	589,903	6,813
(2,936)	316,987	712,976	
(366,763)	(663,404)	481,390	
(9,341)	(14,013)	(1,697,198)	
290,674	397,310	(36,450)	
<u>\$1,487,947</u>	<u>\$1,241,710</u>	<u>1,524,597</u>	
		<u>\$12,639,085</u>	<u>\$946,416</u>
		\$(10,637)	
		(27,791)	
\$89,440	\$26,789	116,229	\$10,366
27,284	59,167	109,738	241,365
553,720		3,126,716	

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CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's policies are described below.

A. Reporting Entity

The City of Owatonna (the City) operates under a Home Rule Charter form of government allowed by Minnesota statutes. The City is governed by an elected Mayor and seven-member Council. The Council exercises legislative authority and determines all matter of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Individual Component Unit Disclosures

Discretely Presented Component Units – The Owatonna Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) serve all the citizens of the City and are governed by City appointed boards.

The HRA was created by the City to carry out certain redevelopment projects. The five-member board is appointed by the Council. The Council reviews and approves HRA tax levies, and the City provides major community development financing for HRA activities. Debt issued for HRA activities are City general obligations. The HRA consists of two separate operations: general operations and housing programs. Separately issued financial statements as of December 31 are available upon request from the Executive Director of the HRA at 540 West Hills Circle, Owatonna, MN.

The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member board consists of three Council members and four other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. The EDA has a December 31 year end. Separate financial statements are not issued.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated as this would distort the direct costs and program revenues reported for the various functions concerned. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. Internal service fund activity is eliminated to avoid “doubling up” of revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. All general other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned or unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue in the fund financial statements.

The City reports the following major governmental funds:

General fund

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

Debt service fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects fund

This fund accounts for the financial resources to be used for the acquisition or construction of major capital assets. This includes street improvement projects as well as capital asset purchases.

ARPA fund

This fund accounts for the financial resources received by the American Rescue Plan Act of 2022.

The City reports the following major proprietary funds:

Sewer fund

This accounts for the operating, maintenance, and capital improvement of the City's sewer utility.

Storm water fund

This accounts for the operating, maintenance, and capital improvement of the City's storm water utility.

Electric fund

This accounts for the operating, maintenance, and capital improvement of the municipally owned electric utility in the City.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Water fund

This accounts for the operating, maintenance, and capital improvement of the municipally owned water utility in the City.

Gas fund

This accounts for the operating, maintenance, and capital improvement of the municipally owned gas utility in the City.

Additionally, the City reports the following fund types:

Internal service funds account for services and/or commodities provided to other departments of the City on a cost reimbursement basis. The City has two internal service funds. One fund accounts for payroll and risk management activities for workers compensation insurance, the activities of the group health plan, and property and liability insurance. The other fund accounts for the cost of purchasing vehicles.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Public Utilities function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's enterprise funds and internal service funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If both restricted and unrestricted resources are available to use for the same purpose, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

Cash balances from all funds are pooled and invested to the extent available in investments authorized by Minnesota State Statute and as further authorized by the Council. Earnings from investments are allocated monthly to each fund based on month end balances of cash and investments.

The City's investment policy states funds are to be invested to the maximum extent possible at the highest rates obtainable after considering safety, liquidity, yield and risk factors.

Investments are stated at fair value as of the end of the year, except for non-negotiable certificates of deposit, which are stated at cost. Broker money market funds operate in accordance with appropriate state laws and regulations.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

For purposes of the statement of cash flows, the enterprise and internal service funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

2. Property Tax Receivables

The City levies its property tax for the subsequent year in December. This levy is certified to Steele County as they are the collection agency for taxes within the County. Taxes are recognized as receivables in the current year when the City is notified by the County of the amounts. They become a lien against the property on the date of levy. Taxes are due and payable at the County on May 15 and October 15, and collections are remitted to the City in July and December. Adjustments are made to delinquent taxes based on the records of the County Auditor.

Delinquent taxes represent unpaid taxes for the past nine years. Delinquent taxes have been offset by an unavailable revenue for delinquent taxes not received within 60 days after year end in the fund financial statements.

3. Special Assessments

Special assessments are certified to Steele County for collection annually. Noncertified assessments represent assessments to be certified annually in the future. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by an unavailable revenue in fund financial statements.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as “advances to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

5. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories are recorded as an expenditure/expense when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements. These costs are recognized during the period benefitted by the repayment using the consumption method.

6. Restricted Assets

Restricted assets consist of cash and temporary investments restricted for specific purposes by agreements.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

7. Land Held for Resale

The City has acquired property as part of its redevelopment activities within the Housing and Redevelopment Authority and the Economic Development Authority. Additionally, the Gas utility holds land which is available for resale.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value. The City reports infrastructure assets on a network or subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). The cost of infrastructure acquired prior to implementation of GASB 34 is included at estimated historical costs based on the current replacement cost of a similar asset and deflated through the use of price-level indexes.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. A composite depreciation rate is used for infrastructure assets. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Improvements Other than Buildings	15-50 years
Equipment and vehicles	3-20 years
Infrastructure	20-50 years

Capital assets not being depreciated consist of land and construction in progress.

Electric and Gas Utility Plant is recorded at original cost. Water Utility Plant is recorded at cost less funds provided from municipal special assessments. When units of property are sold, retired or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense. Contributions in aid of construction are reported as

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

contributed capital on the statement of revenues, expenses, and changes in net position. Contributions are considered in the Utilities' ratemaking process.

Depreciation is computed using the straight-line method which expenses the cost of the plant over its estimated useful life. The utilities depreciate on a composite basis.

The City changed their depreciation estimate that no longer automatically takes a half year of depreciation, but rather depreciates based on the month the asset was added.

9. Long-term Lease Receivables

For lease receivables, the City determines if an arrangement is a lease at inception. Leases in excess of twelve months are included in lease receivables and deferred inflows of resources.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and in inflow of resources when those options are exercised.

The City has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

10. Credit Risk

As of December 31, 2023 the enterprise funds had no significant concentration of credit risk with respect to consumer accounts receivable due to the large number of customers and their dispersion across many different residential and industrial customers.

During the year ended December 31, 2023, approximately 19.36% of the total Electric Utility Commodity revenue was accounted from Viracon, Inc. During the year ended December 31, 2023, approximately 8.00% of the Water Utility Commodity revenue was accounted from Lakeside Foods. During the year ended December 31, 2023, approximately 7.96% if the Gas Utility Commodity revenue was accounted from Bushel Boy Farms.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

11. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four types of this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; property taxes, special assessments, and a long-term receivable. These amounts are recognized as an inflow of resources in the period that the amounts become available. The City reports a deferred inflow for a gain on a bond refunding which will be amortized over the life of the bonds. Pension related deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. Other postemployment benefits (OPEB) deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. Lease receivable deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years.

12. Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and expense associated with the City's requirement to contribute to the Owatonna Firefighters Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Owatonna Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, plan contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Other Post-employment Benefits

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the City's retiree benefits plan (the Plan) and additions to/deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes payments when due and payable in accordance with the benefit terms.

14. Deferred Outflows of Resources

The City's governmental activities and proprietary fund financial statements report a separate section for deferred outflows of resources. This separate financial statement element reflects a consumption of net assets that applies to future periods. The City will not recognize the related outflow until a future event occurs. Pension related deferred outflows and OPEB related deferred outflows are recorded in the current year, but the expenses will be recorded in subsequent years.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

15. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and paid time off (PTO). Vacation and PTO are paid upon separation. Sick leave is only payable at 50% and only upon retirement. The General Fund is used to liquidate governmental compensated absences payable.

All vacation, PTO and the portion of sick pay allowable at retirement is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends. There is an assigned fund balance for the entire amount of these compensated absences in the general fund. The liability is only recorded in the governmental activities, business-type activities and proprietary funds.

16. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

17. Fund Balance/Net Position

The City of Owatonna reports the following categories of fund balance:

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form (i.e. inventories, prepaids and advances to other funds)
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, laws, or regulations, or other governments
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator as permitted by policy.
- Unassigned Fund Balance – these are residual amounts in the General Fund, not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

The City's fund balance policy provides that the City maintain a minimum general fund balance of 50% of budgeted operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first and then unrestricted. The order of use for unrestricted fund balance shall be committed, assigned, and then unassigned.

In the government-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of all other items that do not meet the definitions of “restricted” or “net investment in capital assets”.

18. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

19. Restatement Due to Change in Accounting Principle

In connection with the City’s implementation of Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) for the year ended December 31, 2023, the City reported a SBITA asset and a SBITA liability as disclosed in notes IV. E and IV. G. There was no impact on fund balance.

E. Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Entity adopted the requirements of the guidance effective January 1, 2023 and has applied the provisions of this standard to the beginning of the period of adoption. See Note I.D.19. for the restatement as a result of this implementation.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$27,807,535) difference are as follows:

Bonds, notes, and leases payable	\$(14,773,859)
Net Pension liability	(10,381,747)
Accrued OPEB liability	(652,337)
Accrued compensated absences	(1,842,370)
Accrued interest payable	<u>(157,222)</u>
 Total difference	 <u><u>\$(27,807,535)</u></u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$136,464 difference are as follows:

Delinquent taxes rec. unavailable revenue:	
At December 31, 2022	\$(251,356)
At December 31, 2023	112,606
Special assessments/development receivable unavailable revenue:	
At December 31, 2022	(2,707,297)
At December 31, 2023	<u>2,982,511</u>
	<u><u>\$136,464</u></u>

Another element of that reconciliation states that “Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.” The details of this \$155,612 difference are as follows:

Amortization of bond premium	\$207,813
Change in accrued interest	(6,396)
Change in accrued compensated absences	<u>(45,805)</u>
	<u><u>\$155,612</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds of the City. Only the General Fund’s budget is considered an “annually legally adopted budget”. The remaining funds’ budgets are used as a management tool. The debt service funds are budgeted according to the terms of the original bond issues. Project-length financial plans are adopted for all capital projects funds. Any modification in the adopted budget can be made upon request of and approval by the City Council. Appropriations in all funds lapse at the end of the year. There were no amendments made to the adopted budget in 2023.

In July of each year, all departments of the City submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared for the General Fund by department and cost center and also includes information on the preceding two fiscal years, current year estimates of expenditures and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review prior to September 30. The City Council holds public hearings. A final budget is adopted by December 28 of each year.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

B. Deficit Fund Balance

At year-end 2023, there were three funds that carried deficit fund balances. These funds were tax increment financing funds that were funded by the City through interfund loans. These deficit fund balances will be reduced and eliminated over time as increment from the levies are used to retire the various loans.

The following funds carried deficit fund balances at the end of 2023 in the amounts indicated:

TIF 3-8 Daikin Applied Economic Development Fund	\$18,252
TIF 3-14 Bosch Economic Development Fund	270,253
TIF 14-1 Eastgate Redevelopment Fund	482,489

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Earnings from such investments are allocated to the respective funds on the basis of applicable balance participation by each fund. The primary government and component units' cash and investments are pooled.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it in full. In accordance with Minnesota Statutes and as authorized by the City Council, the City of Owatonna maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of the collateral pledged must be equal to 110% of the deposits not covered by insurance or bonds. Authorized collateral includes U.S. government securities, state or local government obligations, and other securities authorized by Minnesota Statute 118A.03. Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

The City's deposits in banks at December 31, 2023 were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Investments

The City may also invest idle funds as authorized investments by Minnesota Statutes as follows:

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

- g. Repurchase or reverse repurchase agreements and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- h. Guaranteed investment contracts (GIC’s) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, and with a credit quality in one of the top two rating highest categories.

The City’s investments, including its component units as of December 31, 2023 are as follows:

Type of Investment	Credit Quality Rating	Amount	Investment Maturity in Years			
			< 1 Year	1-5 Years	6-10 Years	> 10 years
US Govt Agencies	AAA	\$23,366,724	\$4,109,273	\$17,875,341	\$918,415	\$463,695
US Govt Agencies	N/R	4,814,795	3,748,996	1,062,284	2,053	1,462
Local Govt Obligations	AAA	615,104		615,104		
Local Govt Obligations	AA3	448,077	448,077			
Local Govt Obligations	A1	1,490,955	1,490,955			
Local Govt Obligations	N/R	1,224,202	1,224,202			
Pooled Investments	N/A	1,869		236	1,633	
4M Fund Liquid Asset Fund	N/A	16,010,112	16,010,112			
4M Fund PLUS Fund	N/A	4,865,631	4,865,631			
Wells Fargo Adv MM	N/A	10,663	10,663			
Bremer Bank MM	N/A	1,068,864	1,068,864			
Negotiable CDs	N/A	8,722,221	5,674,017	3,048,204		
		<u>\$62,639,217</u>	<u>\$38,650,790</u>	<u>\$22,601,169</u>	<u>\$922,101</u>	<u>\$465,157</u>

Reconciliation of deposits and investments to Statement of Net Position:

	Primary Government	EDA	HRA	Total Reporting Entity
Cash on hand	\$8,635			\$8,635
Deposits	23,665,368	\$461,689	\$602,249	24,729,306
Investments	61,339,217	1,300,000		62,639,217
Total deposits and investments	<u>\$85,013,220</u>	<u>\$1,761,689</u>	<u>\$602,249</u>	<u>\$87,377,158</u>
Per Statement of Net Position:				
Cash and cash equivalents	\$35,555,469	\$461,689	\$541,725	\$36,558,883
Investments	49,457,751	1,300,000		50,757,751
Restricted cash & cash equivalents			60,524	60,524
Total cash and investments	<u>\$85,013,220</u>	<u>\$1,761,689</u>	<u>\$602,249</u>	<u>\$87,377,158</u>

Interest rate risk. The City’s investment policy requires minimizing interest rate risk by structuring the investment portion so securities mature to meet cash requirements for ongoing operations. Within these parameters, it is the City’s practice to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses related to rising interest rates.

Credit risk. The City’s investment policy limits the level of investments allowed in each category of credit risk. Credit risk is the risk that an issuer to an investment will not fulfill its obligation. State law limits investments in state and local securities and commercial paper to those with specified rating by nationally recognized rating agencies. U.S. Treasury Obligations are not considered to have credit risk. U.S. Government Agencies which are rated all carry a AAA credit rating. The U.S. Government Agencies which are unrated are comprised of “stripped” securities for which the underlying agency notes are all AAA rated. The underlying agency’s rating is considered to pass through to the “stripped” bond. The Local Government Obligations carry a A credit rating.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Concentration risk. The City does not have a formal policy limiting the amount of the portfolio that may be invested in any one depository or issuer. The following investments represent at least 5% of the City's investment portfolio: Federal Home Loan Bank, Freddie Mac and Minnesota Municipal Money Market.

Fair Value Measurements. The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs use to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include bonds valued by a pricing service that uses matrix pricing and valuation multiples.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets of the City measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
US Govt Agencies		\$28,181,519		\$28,181,519
Local Govt Obligations		3,778,338		3,778,338
Negotiable CDs		8,722,221		8,722,221
US Govt Agency pools		1,869		1,869
Total		\$40,683,947		\$40,683,947

Assets of the City measured at amortized cost:

4M Fund Liquid Asset Fund	\$16,010,112
4M Fund PLUS Fund	4,865,631
Wells Fargo Advisors Money Market Fund	10,663
Bremer Bank Money Market Fund	1,068,864
Total	\$21,955,270

The City's investment with the 4M Funds are regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Funds are an unrated external investment pool and the fair value of the position in the pool is the same as the value of the shares. The pools are valued at amortized cost. There are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn.

B. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major accounts receivable balances for the governmental activities include franchise fees and miscellaneous charges. Business-type activities report utility earnings as their major accounts receivable.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the three components of unavailable revenue reported in the governmental funds were for delinquent taxes receivable not yet available (general fund) of \$112,606; special assessments receivable not yet available (debt service fund and capital projects fund) of \$2,323,092; and a development receivable not yet available (capital projects fund) of \$659,419.

C. Loans Receivable

The Capital Projects Fund has entered into various development agreements with local businesses to finance public improvements. The balance of these loans at December 31, 2023 was \$659,419 and is offset by an unavailable revenue. These loans mature in 9-25 years.

Discretely Presented Component Unit

The EDA Loan Fund has made loans to local businesses with various terms and interest rates for repayment. The balance of these loans at December 31, 2023 was \$42,230 which consists of loans maturing in three to six years with interest ranging from 0 to 2.5 percent. These notes are secured by property, equipment and personal guarantees.

The EDA Loan Fund has made twenty-six loans to local businesses with certain conditions attached which would then make the loans forgivable. These loans are not considered receivable and are not included in the loans receivable balance at December 31, 2023. The balance of these forgivable loans was \$203,493 at December 31, 2023.

The EDA Land Fund has entered into various development agreements with local businesses to finance the sale of property to the developer. The balance of these loans at December 31, 2023 was \$2,005,890 which consists of loans maturing in 19 to 25 years all with interest rates of 3 percent.

The HRA works with local community housing agencies to provide emergency fix-up deferred loans for home improvements that resolve code emergency deficiencies, energy efficiency, or improve accessibility. The maximum amount of each loan is \$5,000. They are deferred until the property is sold or transferred. The balance of these notes at December 31, 2023 is \$6,170.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

D. Long-term Lease Receivables

Governmental Leases

On January 1, 2022, the City entered into a 36-month lease as Lessor for the use of West Hills Velve - BBBS. An initial lease receivable was recorded in the amount of \$82,962. As of December 31, 2023, the value of the lease receivable is \$28,589. The lessee is required to make monthly fixed payments of \$2,251. The lease has an interest rate of 0.4260%. The value of the deferred inflow of resources as of December 31, 2023, was \$27,654, and the City recognized lease revenue of \$27,654 during the fiscal year. The lessee has 1 extension option, for 60 months.

On January 1, 2023, the City entered into a 12-month lease as Lessor for the use of West Hills Social Commons 3rd Floor - Healthy Seniors. An initial lease receivable was recorded in the amount of \$7,453. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make quarterly fixed payments of \$1,865. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$7,453 during the fiscal year. The lessee has 1 extension option, for 12 months.

On January 1, 2022, The City entered into a 36-month lease as Lessor for the use of West Hills Art Center. An initial lease receivable was recorded in the amount of \$7,321. As of December 31, 2023, the value of the lease receivable is \$2,610. The lessee is required to make monthly fixed payments of \$255. The lease has an interest rate of 0.4260%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,440, and the City recognized lease revenue of \$2,440 during the fiscal year.

On January 1, 2022, the City entered into a 189-month lease as Lessor for the use of public hangar lot 8 - Dahl. An initial lease receivable was recorded in the amount of \$163,605. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make annual variable principal and interest payments of \$960. The lease has an interest rate of 1.4080%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$3,508 during the fiscal year.

On May 2, 2023, the City entered into a 180-month lease as Lessor for the use of public hangar lot 8 - Barta. An initial lease receivable was recorded in the amount of \$6,520. As of December 31, 2023, the value of the lease receivable is \$6,520. The lessee is required to make annual variable principal and interest payments of \$1,088. The lease has an interest rate of 1.4080%. The value of the deferred inflow of resources as of December 31, 2023, was \$6,232, and the City recognized lease revenue of \$289 during the fiscal year.

On January 1, 2022, The City entered into a 190-month lease as Lessor for the use of public hangar lot 7 High Tec Aero. An initial lease receivable was recorded in the amount of \$13,860. As of December 31, 2023, the value of the lease receivable is \$12,121. The lessee is required to make annual variable principal and interest payments of \$960. The lease has an interest rate of 1.4080%. The value of the deferred inflow of resources as of December 31, 2023, was \$12,114, and the City recognized lease revenue of \$873 during the fiscal year.

On May 3, 2022, the City entered into a 240-month lease as Lessor for the use of public hangar lot 2 - JPF Enterprises. An initial lease receivable was recorded in the amount of \$17,656. As of December 31, 2023, the value of the lease receivable is \$15,933. The lessee is required to make annual variable principal and interest payments of \$1,088. The lease has an interest rate of 2.7510%. The value of the deferred inflow of resources as of December 31, 2023, was \$16,190, and the City recognized lease revenue of \$883 during the fiscal year.

On January 1, 2022, the City entered into a 20-month lease as Lessor for the use of public hangar lot 26 - Barbosa. An initial lease receivable was recorded in the amount of \$840. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make annual variable principal and interest

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

payments of \$840. The lease has an interest rate of 0.3300%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$336 during the fiscal year.

On January 1, 2022, The City entered into a 171-month lease as Lessor for the use of public hangar lot 21 - OWACS Holdings. An initial lease receivable was recorded in the amount of \$11,052. As of December 31, 2023, the value of the lease receivable is \$9,606. The lessee is required to make annual variable principal and interest payments of \$810. The lease has an interest rate of 1.3380%. The value of the deferred inflow of resources as of December 31, 2023, was \$9,503, and the City recognized lease revenue of \$774 during the fiscal year.

On January 1, 2022, the City entered into a 219-month lease as Lessor for the use of public hangar lot 3 - O' Sita. An initial lease receivable was recorded in the amount of \$18,453. As of December 31, 2023, the value of the lease receivable is \$16,500. The lessee is required to make annual variable principal and interest payments of \$1,105. The lease has an interest rate of 1.4810%. The value of the deferred inflow of resources as of December 31, 2023, was \$16,432, and the City recognized lease revenue of \$1,010 during the fiscal year.

On January 1, 2022, the City entered into a 237-month lease as Lessor for the use of public hangar lot 20 - Sybesma. An initial lease receivable was recorded in the amount of \$17,828. As of December 31, 2023, the value of the lease receivable is \$16,147. The lessee is required to make annual variable principal and interest payments of \$1,088. The lease has an interest rate of 1.5530%. The value of the deferred inflow of resources as of December 31, 2022, was \$16,027, and the City recognized lease revenue of \$900 during the fiscal year.

On January 1, 2022, the City entered into a 72-month lease as Lessor for the use of public hangar lot 12 - JPF Enterprises. An initial lease receivable was recorded in the amount of \$4,915. As of December 31, 2023, the value of the lease receivable is \$3,299. The lessee is required to make annual variable principal and interest payments of \$842. The lease has an interest rate of 0.8330%. The value of the deferred inflow of resources as of December 31, 2023, was \$3,276, and the City recognized lease revenue of \$819 during the fiscal year.

On January 1, 2022, the City entered into a 50% shared 36-month lease as Lessor for the use of LEC 911 Center. An initial lease receivable was recorded in the amount of \$83,958. As of December 31, 2023, the value of the lease receivable is \$29,666. The lessee is required to make annual fixed payments of \$26,656. The lease has an interest rate of 0.4260%. The value of the deferred inflow of resources as of December 31, 2023 was \$27,986, and the City recognized lease revenue of \$27,986 during the fiscal year. The lessee has 1 extension option, for 36 months. The lessee had a termination period of 4 months as of the lease commencement.

On January 1, 2022, The City entered into a 37-month lease as Lessor for the use of commercial land terminal office - Accel Aviation - 2. An initial lease receivable was recorded in the amount of \$54,397. As of December 31, 2023, the value of the lease receivable is \$19,452. The lessee is required to make monthly fixed payments of \$1,125. The lease has an interest rate of 0.4260%. The value of the deferred inflow of resources as of December 31, 2023, was \$19,112, and the City recognized lease revenue of \$17,642 during the fiscal year.

On January 1, 2022, the City entered into a 37-month lease as Lessor for the use of commercial land terminal office - Accel Aviation - 1. An initial lease receivable was recorded in the amount of \$39,166. As of December 31, 2023, the value of the lease receivable is \$14,005. The lessee is required to make monthly fixed payments of \$810. The lease has an interest rate of 0.4260%. The value of the deferred inflow of resources as of December 31, 2023, was \$13,761, and the City recognized lease revenue of \$12,702 during the fiscal year.

On January 1, 2022, The City entered into a 48-month sublease as Lessor for the use of commercial land - Muni Airport sublease Lot 27. An initial lease receivable was recorded in the amount of \$11,999. As of December 31, 2023, the value of the lease receivable is \$6,057. The lessee is required to make annual

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

variable principal and interest payments of \$3,094. The lease has an interest rate of 1.4420%. The value of the deferred inflow of resources as of December 31, 2023, was \$6,057, and the City recognized lease revenue of \$2,971 during the fiscal year.

On December 6, 2022, the City entered into a 23-month lease as Lessor for the use of hangar #4K - Hannah Drake. An initial lease receivable was recorded in the amount of \$5,119. As of December 31, 2023, the value of the lease receivable is \$2,382. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,363, and the City recognized lease revenue of \$2,578 during the fiscal year.

On December 6, 2022, the City entered into a 23-month lease as Lessor for the use of hangar #4J - Korey Krause. An initial lease receivable was recorded in the amount of \$5,119. As of December 31, 2023, the value of the lease receivable is \$2,382. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,363, and the City recognized lease revenue of \$2,578 during the fiscal year.

On December 6, 2022, the City entered into a 23-month lease as Lessor for the use of hangar #4I - Chris Ludewig. An initial lease receivable was recorded in the amount of \$5,119. As of December 31, 2023, the value of the lease receivable is \$2,382. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,363, and the City recognized lease revenue of \$2,578 during the fiscal year.

On December 1, 2022, the City entered into a 24-month lease as Lessor for the use of hangar #4E - Kent Carder. An initial lease receivable was recorded in the amount of \$5,117. As of December 31, 2023, the value of the lease receivable is \$2,382. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,345, and the City recognized lease revenue of \$2,559 during the fiscal year.

On January 1, 2022, the City entered into a 24-month lease as Lessor for the use of hangar #1G – Tom Harrison. An initial lease receivable was recorded in the amount of \$5,028. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$210. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$2,514 during the fiscal year.

On February 1, 2022, the City entered into a 24-month lease as Lessor for the use of hangar #1J – Clayton Grotz. An initial lease receivable was recorded in the amount of \$4,070. As of December 31, 2023, the value of the lease receivable is \$170. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of .2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$170, and the City recognized lease revenue of \$2,035 during the fiscal year.

On December 6, 2022, the City entered into a 23-month lease as Lessor for the use of hangar #4D - Paul Ray. An initial lease receivable was recorded in the amount of \$5,119. As of December 31, 2023, the value of the lease receivable is \$2,382. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,363, and the City recognized lease revenue of \$2,578 during the fiscal year.

On December 6, 2022, the City entered into a 23-month lease as Lessor for the use of hangar #4B - High Tech Aero. An initial lease receivable was recorded in the amount of \$5,119. As of December 31, 2023, the value of the lease receivable is \$2,382. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,363, and the City recognized lease revenue of \$2,578 during the fiscal year.

On December 6, 2022, the City entered into a 23-month lease as Lessor for the use of hangar #4C – Tim Johnson. An initial lease receivable was recorded in the amount of \$5,123. As of December 31, 2023, the value of the lease receivable is \$2,382. The lessee is required to make monthly fixed payments of \$220.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

The lease has an interest rate of 3.1440%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,364, and the City recognized lease revenue of \$2,579 during the fiscal year.

On December 1, 2022, The City entered into a 24-month lease as Lessor for the use of hangar #2K - Jerry Pritchett. An initial lease receivable was recorded in the amount of \$4,187. As of December 31, 2023, the value of the lease receivable is \$1,949. The lessee is required to make monthly fixed payments of \$180. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$1,919, and the City recognized lease revenue of \$2,093 during the fiscal year.

On January 17, 2023, the City entered into a 24-month lease as Lessor for the use of hangar #4H – Adam Ailabounia. An initial lease receivable was recorded in the amount of \$5,335. As of December 31, 2023, the value of the lease receivable is \$2,807. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,835, and the City recognized lease revenue of \$2,500 during the fiscal year.

On January 17, 2023, the City entered into a 24-month lease as Lessor for the use of hangar #2I – Chirs Plasek. An initial lease receivable was recorded in the amount of \$5,335. As of December 31, 2023, the value of the lease receivable is \$2,807. The lessee is required to make monthly fixed payments of \$220. The lease has an interest rate of 3.2070%. The value of the deferred inflow of resources as of December 31, 2023, was \$2,835, and the City recognized lease revenue of \$2,500 during the fiscal year.

On January 1, 2022, The City entered into a 17-month lease as Lessor for the use of hangar #2B – Jacob Dahle. An initial lease receivable was recorded in the amount of \$2,885. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$849 during the fiscal year.

On January 1, 2022, The City entered into a 17-month lease as Lessor for the use of hangar #1I – Glen Schuster. An initial lease receivable was recorded in the amount of \$2,885. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$849 during the fiscal year.

On January 1, 2022, The City entered into a 17-month lease as Lessor for the use of hangar #3I – Jon Swenson. An initial lease receivable was recorded in the amount of \$2,206. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$130. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$649 during the fiscal year.

On January 1, 2022, The City entered into a 17-month lease as Lessor for the use of hangar #1L – Troy Sybesma. An initial lease receivable was recorded in the amount of \$2,885. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$849 during the fiscal year.

On January 1, 2022, The City entered into a 17-month lease as Lessor for the use of hangar #2A – Waseca Wings. An initial lease receivable was recorded in the amount of \$2,885. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$849 during the fiscal year.

On January 1, 2022, The City entered into a 17-month lease as Lessor for the use of hangar #3A – Eric Weichert. An initial lease receivable was recorded in the amount of \$2,461. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$145. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2022, was \$0, and the City recognized lease revenue of \$724 during the fiscal year.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

On January 1, 2022, the City entered into a 23-month lease as Lessor for the use of hangar #3D – Tim Johnson. An initial lease receivable was recorded in the amount of \$3,672. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$160. The lease has an interest rate of .2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,756 during the fiscal year.

On January 1, 2022, The City entered into a 28-month lease as Lessor for the use of hangar #1A - Climate by Design. An initial lease receivable was recorded in the amount of \$11,169. As of December 31, 2022, the value of the lease receivable is \$1,599. The lessee is required to make monthly fixed payments of \$400. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2022, was \$1,596, and the City recognized lease revenue of \$4,787 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #1E – Justin Lindee. An initial lease receivable was recorded in the amount of \$3,224. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,188 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #2G – Justin Lindee. An initial lease receivable was recorded in the amount of \$3,224. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,188 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #2C – Don McDonald. An initial lease receivable was recorded in the amount of \$3,224. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,188 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #1D – Richard Wefald. An initial lease receivable was recorded in the amount of \$3,224. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,188 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #2E – Mike Powell. An initial lease receivable was recorded in the amount of \$3,224. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,188 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #3E – Jim Van Reeth. An initial lease receivable was recorded in the amount of \$2,750. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$145. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,013 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #3K – Becky Wolfe. An initial lease receivable was recorded in the amount of \$2,465. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$130. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$908 during the fiscal year.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

On January 1, 2022, The City entered into a 22-month lease as Lessor for the use of hangar #3L – Ken Beck. An initial lease receivable was recorded in the amount of \$4,730. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$210. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$2,150 during the fiscal year.

On January 1, 2022, The City entered into a 19-month lease as Lessor for the use of hangar #1F – Raymond Kinsbury. An initial lease receivable was recorded in the amount of \$3,732. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,696 during the fiscal year.

On January 1, 2022, The City entered into a 18-month lease as Lessor for the use of hangar #1B – Jayne Wiese. An initial lease receivable was recorded in the amount of \$3,055. As of December 31, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$170. The lease has an interest rate of 0.2380%. The value of the deferred inflow of resources as of December 31, 2023, was \$0, and the City recognized lease revenue of \$1,018 during the fiscal year.

Annual lease revenues for governmental activities are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2024	\$124,948	\$2,032	\$126,980
2025	10,771	1,236	12,007
2026	4,775	1,118	5,893
2027	4,848	1,045	5,893
2028	4,710	1,429	6,139
2029-2033	22,133	4,211	26,344
2034-2038	25,967	2,148	28,115
2039-2042	8,357	381	8,738
Total	<u>\$206,509</u>	<u>\$13,600</u>	<u>\$220,109</u>

Business-type Leases

Owatonna Public Utilities (electric, water and gas) leases various tower sites to companies. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2043, however, the City anticipates new or revised leasing arrangements to occur in the future.

Long-term lease activity for the year ended December 31, 2023 was as follows:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Ending Balance
ATT 14 th St Tower Antenna	12/01/12	0.65	\$29,909	\$91,516
Owatonna Bus Company	04/01/22	2.29	8,034	24,456
T-Mobile Academy St Tower Antenna	01/01/20	1.59	31,389	594,931
T-Mobile 14 th St Tower Antenna	06/01/23	4.30	34,778	579,673
T-Mobile 26 th St Tower Antenna	12/01/05	0.40	19,032	9,478
Verizon 14 th St Tower Antenna	01/01/21	1.06	47,610	353,381
Verizon Fairgrounds Tower Antenna	06/26/18	1.67	32,044	652,691
Zayo 14 th St Lease	12/01/10	1.59	2,420	40,465
Zayo 26 th St Lease	12/01/10	1.59	2,420	92,050
Zayo Academy St	12/01/10	1.59	2,420	40,465
				<u>\$2,479,106</u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Annual lease revenues for business type activities are as follows:

Year	Business-type Activities		
	Principal	Interest	Total
2024	\$151,153	\$52,103	\$203,256
2025	148,552	49,904	198,456
2026	159,307	47,501	206,808
2027	126,028	45,240	171,268
2028	131,337	42,977	174,314
2029-2033	581,748	179,283	761,031
2034-2038	687,176	111,449	798,625
2039-2043	493,805	25,191	518,996
Total	<u>\$2,479,106</u>	<u>\$553,648</u>	<u>\$3,032,754</u>

E. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2023 was as follows:

	Beginning Balances Restated	Increases	Decreases	Ending Balances
Land	\$8,990,764	\$111,384		\$9,102,148
Construction in Progress	272,324	4,808,524	\$2,587,675	2,493,173
Total Non-depreciable	<u>9,263,088</u>	<u>4,919,908</u>	<u>2,587,675</u>	<u>11,595,321</u>
Depreciable capital assets:				
Buildings	28,175,859	2,037,711		30,213,570
Improvements Other than Bldgs	1,653,271	89,442		1,742,713
Equipment	18,453,427	1,904,233	870,299	19,487,361
Infrastructure	131,978,174	2,041,856		134,020,030
Total depreciable	<u>180,260,731</u>	<u>6,073,242</u>	<u>870,299</u>	<u>185,463,674</u>
Accumulated Depreciation				
Buildings	13,823,226	712,692		14,535,918
Improvements Other than Bldgs	605,186	96,989		702,175
Equipment	11,172,967	1,167,091	721,849	11,618,209
Infrastructure	62,029,540	3,207,056		65,236,596
Total accumulated depreciation	<u>87,630,919</u>	<u>5,183,828</u>	<u>721,849</u>	<u>92,092,898</u>
Depreciable capital assets, net	<u>\$101,892,900</u>	<u>\$5,809,322</u>	<u>\$2,736,125</u>	<u>\$104,966,097</u>
Subscription Based Information Technology Arrangement Assets	\$664,085	\$53,225		\$717,310
Less Accumulated Amortization		200,559		200,559
Total SBITA assets, net	<u>664,085</u>	<u>(147,334)</u>		<u>516,751</u>
Govtl capital assets, net	<u>\$102,556,985</u>	<u>\$5,661,988</u>	<u>\$2,736,125</u>	<u>\$105,482,848</u>

The beginning balance was restated due to the implementation of GASB Statement 96. See Note I.D.19.

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$276,603
Public safety	158,125
Public works	3,373,210
Culture and recreation	545,560
Internal service funds	830,330
Total depreciation for governmental activities	<u>\$5,183,828</u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Amortization expense for governmental activities is charged to functions as follows:

General government	\$153,487
Public safety	4,112
Public works	42,960
Culture and recreation	<u> </u>
Total amortization for governmental activities	<u><u>\$200,559</u></u>

Capital asset activity for business-type activities for the year ended December 31, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Land and other rights	\$5,727,663	\$848,093			\$6,575,756
Construction in Progress	18,359,644	29,469,115	\$2,996,243		44,832,516
Total Non-depreciable	<u>24,087,307</u>	<u>30,317,208</u>	<u>2,996,243</u>		<u>51,408,272</u>
Depreciable capital assets:					
Buildings	47,715,671	73,555	42,539		47,746,687
Equipment	18,630,104	998,769	1,400,805		18,228,068
Infrastructure	126,110,025	5,550,626	883,549		130,777,102
Total depreciable	<u>192,455,800</u>	<u>6,622,950</u>	<u>2,326,893</u>		<u>196,751,857</u>
Accumulated Depreciation					
Buildings	18,313,407	978,921	23,566		19,268,762
Equipment	13,680,492	708,597	1,335,913		13,053,176
Infrastructure	49,668,722	3,456,020	877,974		52,246,768
Total accumulated depreciation	<u>81,662,621</u>	<u>5,143,538</u>	<u>2,237,453</u>		<u>84,568,706</u>
Business-type activities capital assets, net	<u>\$134,880,486</u>	<u>\$31,796,620</u>	<u>\$3,085,683</u>		<u>\$163,591,423</u>

Depreciation expense for business-type activities is charged to functions as follows:

Sewer	\$1,051,240
Storm water	373,518
Electric	2,305,666
Water	662,505
Gas	750,609
Total depreciation for business-type activities	<u><u>\$5,143,538</u></u>

Discretely Presented Component Units

Capital asset activity for the component units was as follows:

Economic Development Authority

	Beginning Balances	Increases	Decreases	Ending Balances
Land	<u>\$508,251</u>			<u>\$508,251</u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Housing and Redevelopment Authority

	Beginning Balances	Increases	Decreases	Ending Balances
Buildings	\$52,000			\$52,000
Accumulated Depreciation	20,356	\$1,040		21,396
Capital assets, net	<u>\$31,644</u>	<u>\$1,040</u>		<u>\$30,604</u>

Depreciation expense was charged to functions/programs of the component unit as follows:

Housing & economic development	\$1,040
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F. Interfund Balances and Transfers

The composition of interfund balances as of December 31, 2023 is as follows:

Due to/from other funds

Several funds have made short-term loans to other funds through normal day-to-day operations. Items such as utility infrastructure associated with street projects, sewer billing and collections performed by another utility fund, and centralized fuel purchases are examples of why these occur. These loans are planned to be eliminated in the subsequent year.

	General Fund	Capital Projects Fund	Sewer Fund	Storm Water Fund	Electric Fund	Total
Due from:						
General Fund					\$3,183	\$3,183
Debt Service Fund					23,570	23,570
Nonmajor Govtl Funds					1,983	1,983
Electric Fund	\$3,018	\$256,420	\$982,047	\$110,000		1,351,485
Water Fund		553,720				553,720
Gas Fund						
Total Due to:	<u>\$3,018</u>	<u>\$810,140</u>	<u>\$982,047</u>	<u>\$110,000</u>	<u>\$28,736</u>	<u>\$1,933,941</u>

Advance to/from other funds

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered, or cash flow purposes. Long-term interfund loans are classified as “advances to/from other funds”.

	General Fund	Capital Projects Fund	Total
Due from:			
Capital Projects Fund	\$121,136		\$121,136
Nonmajor Govtl Funds		\$771,060	771,060
Total Due to:	<u>\$121,136</u>	<u>\$771,060</u>	<u>\$892,196</u>

Due to/from primary government and component units

Receivable Fund	Payable Fund	Amount
Primary Govt – ISF	Component Unit – EDA	<u>\$1,848</u>
Total		<u>\$1,848</u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Interfund transfers

	General Fund	Nonmajor Govtl Funds	Sewer Fund	Storm Water Fund	Total
Transfers In:					
General Fund			\$605,625	\$81,200	\$686,825
Debt Service Fund		\$83,520			83,520
Capital Projects Fund	\$800,000				800,000
Total Transfers Out	<u>\$800,000</u>	<u>\$83,520</u>	<u>\$605,625</u>	<u>\$81,200</u>	<u>\$1,570,345</u>

Throughout the course of the year, the City has to make occasional interfund transfers. The City annually transfers funds from its enterprise operations to its general fund to compensate for the cost of administration. The City annually transfers tax increment from a nonmajor Governmental Fund to its debt service fund for upcoming debt service payments.

Capital contributions from the governmental activities to the business-type activities are reported as transfers on the statement of activities.

G. Long-term Debt

General Obligation Bonds

General obligation bonds are issued to provide for the acquisition of major capital equipment. These bonds are direct obligations and are backed by the full faith and credit of the City. Five general obligation bonds with an original issue amount of \$12,205,000 are currently outstanding as follows:

G.O. Equipment Certificates Series 2017A	2024-2025	3.00%	\$45,000
G.O. Street Reconstruction Series 2018A	2024-2029	3.00-5.00%	3,130,000
G.O. Street Reconstruction Series 2020A	2024-2031	2.00-4.00%	1,270,000
G.O. Street Reconstruction Series 2021A	2024-2032	1.00-4.00%	2,965,000
G.O. Street Reconstruction Series 2023B	2025-2034	5.00%	2,440,000
			<u>\$9,850,000</u>

Annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2024	\$925,000	\$338,021
2025	1,130,000	310,135
2026	1,190,000	256,910
2027	1,240,000	206,235
2028	1,270,000	159,210
2029-2033	3,800,000	295,735
2034	295,000	14,750
	<u>\$9,850,000</u>	<u>\$1,580,996</u>

General Obligation Improvement Bonds

General obligation improvement bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

improvements to property and are backed by the full faith and credit of the City. Five bond issues with a total original issue amount of \$8,530,000 are currently outstanding as follows:

G.O. Improvement Series 2013A	2024-2024	2.750%	\$280,000
G.O. Improvement Series 2015A	2024-2026	2.50-3.000%	415,000
G.O. Improvement Series 2016A	2024-2027	2.00-3.000%	450,000
G.O. Improvement Series 2017A	2024-2028	2.00-3.000%	960,000
G.O. Improvement Series 2019A	2024-2030	4.00-5.000%	1,395,000
			\$3,500,000

Annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2024	\$895,000	\$105,619
2025	625,000	79,868
2026	635,000	58,494
2027	510,000	41,643
2028	400,000	24,597
2029-2031	435,000	17,500
	\$3,500,000	\$327,721

G.O. Tax Increment Bonds

The City issued bonds for an economic development project. The tax increments resulting from increased tax capacity of the development property will be used to retire the related debt. These bonds had an original issue amount of \$1,140,000. These bonds are backed by the full faith and credit of the City.

The general obligation tax increment bonds currently outstanding are as follows:

Governmental Activities			
Tax Increment Bonds Series 2013A	2024	2.75%	\$140,000

Annual debt service requirements to maturity for the general obligation revenue bonds are as follows:

Year	Governmental Activities	
	Principal	Interest
2024	\$140,000	\$1,925

G.O. Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service in addition to levying a tax. These bonds are recorded in the fund according to the purpose for which they were issued. The Storm Water Fund is currently carrying bonds payable for storm water improvements. These bonds had an original issue amount of \$4,360,000. The Series 2016A refunding bonds have a \$100,000 annual pledge of revenue. The second Series 2016A have a revenue pledge equal to 50% of the required debt service payment. These bonds are all backed by the full faith and credit of the City.

The City's outstanding notes from direct borrowings related to business-type activities in the sewer fund contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 105 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

are due immediately. The City's outstanding notes from direct borrowings related to business-type activities of contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. There are two separate bonds that had original issue amounts of \$7,929,333 and \$24,009,099 respectively and are fully payable from the revenues of the sewer fund. The 2023 bonds have not been fully disbursed as of December 31, 2023. There is \$10,990,901 available to borrow under this bond agreement. If the full amount of the bond issue is not drawn upon, the repayment schedule will be re-amortized to provide proportionately reduced principal payments in each year.

The general obligation revenue bonds currently outstanding are as follows:

Business-type Activities			
Direct borrowing - MPFA Revenue Bonds Series 2011	2023-2025	1.423%	\$1,155,928
Direct borrowing - MPFA Revenue Bonds Series 2023	2023-2042	1.915%	23,239,099
Revenue Bonds Series 2016A	2023-2032	2.00-3.00%	1,630,000
Revenue Bonds Series 2016A - Refunding	2023-2024	3.00%	290,000
			<u>\$26,315,027</u>

Annual debt service requirements to maturity for the general obligation revenue bonds are as follows:

Years	Business-type Activities				Totals
	Bonded Debt		Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	
2024	\$450,000	\$38,588	\$2,085,000	\$445,029	\$3,018,617
2025	170,000	29,286	2,121,928	416,093	2,737,307
2026	170,000	25,038	1,569,000	386,602	2,150,640
2027	180,000	20,456	1,599,000	356,556	2,156,012
2028	180,000	17,936	1,630,000	325,935	2,153,871
2029-2033	770,000	33,445	6,871,000	1,148,722	8,823,167
2034-2038			7,517,000	296,105	7,813,105
2039			1,002,099	12,154	1,014,253
Total	<u>\$1,920,000</u>	<u>\$164,749</u>	<u>\$24,395,027</u>	<u>\$3,387,196</u>	<u>\$29,866,972</u>

Subscription-Based Information Technology Arrangements

The City has entered into subscription-based information technology arrangements (SBITAs) various software used by the City. These subscriptions had an initial subscription liability of \$717,310. The SBITA arrangements expire at various dates through 2027.

OpenGov (ERP)	\$289,951
UKG (payroll & time management)	175,773
DebtBook (lease, subscription, debt)	22,577
Clear Proflex (law enforcement case mgmt)	17,333
	<u>\$505,634</u>

As of December 31, 2023, SBITA assets and the related accumulated amortization totaled \$717,310 and \$200,559 respectively.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Future payments under SBITA agreements are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2024	\$211,889	\$13,188	\$225,077
2025	221,005	7,407	228,412
2026	58,628	1,425	60,053
2027	14,112	100	14,212
Total	<u>\$505,634</u>	<u>\$22,120</u>	<u>\$527,754</u>

Change in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. Bonds	\$8,305,000	\$2,440,000	\$895,000	\$9,850,000	\$925,000
G.O. Tax Increment Bonds	275,000		135,000	140,000	140,000
G.O. Improvement Bonds	4,370,000		870,000	3,500,000	895,000
Plus: bond premium	831,775	154,263	207,813	778,225	
Total bonds payable	<u>13,781,775</u>	<u>2,594,263</u>	<u>2,107,813</u>	<u>14,268,225</u>	<u>1,960,000</u>
Subscriptions Payable	664,085	53,225	211,676	505,634	211,889
Accrued Compensated Absences	1,796,565	1,231,361	1,185,556	1,842,370	1,185,000
Governmental Activity Long-term liabilities	<u>\$16,242,425</u>	<u>\$3,878,849</u>	<u>\$3,505,045</u>	<u>\$16,616,229</u>	<u>\$3,356,889</u>

The beginning balance was restated due to the implementation of GASB Statement 96. See Note I.D.19.

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
G.O. Revenue Bonds	\$2,355,000		\$435,000	\$1,920,000	\$450,000
Notes from direct borrowings and direct placements	1,721,928	\$24,009,099	1,336,000	24,395,027	2,085,000
Plus: bond premium	57,881		17,154	40,727	
Total notes & bonds payable	<u>4,134,809</u>	<u>24,009,099</u>	<u>1,788,154</u>	<u>26,355,754</u>	<u>2,535,000</u>
Accrued Compensated Absences	1,476,531	\$453,128	284,620	1,645,039	318,519
Business-type Activity Long-term liabilities	<u>\$5,611,340</u>	<u>\$24,462,227</u>	<u>\$2,072,774</u>	<u>\$28,000,793</u>	<u>\$2,853,519</u>

For the governmental activities, accrued compensated absences, net pension liability and OPEB are generally liquidated by the general fund.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues of the industries to which the bonds were remitted. The City is not obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2023, there were eight outstanding bond issues with an original issue amount of \$39,680,545 and a balance of \$30,543,703.

H. Tax Abatements

The City has several pay-as-you-go tax increment financing districts with local businesses to promote economic development, housing, and redevelopment within the City as authorized under Minnesota Statute 469.174. The City reaches agreements with the business related to land acquisition, public infrastructure and building improvements. The businesses complete their improvements which increase the tax base. The increment taxes are based on the increase of the property's value after the improvements are made. The school district and the county have also abated their portion of the tax increment following the improvements. The agreements call for 90-99% of the property tax increments collected to be paid to reimburse development costs less administrative fees. The City currently has twenty seven tax increment financing districts which includes ten economic development districts which end between December 31, 2024-December 31, 2032; one housing and redevelopment districts which ends December 31, 2042; and sixteen redevelopment districts which end between December 31, 2040-December 31, 2050. For the year ended December 31, 2023, the City paid tax increment in the amount of \$2,569,808. No other commitments were made by the City as part of these agreements.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for its risk management activities in an internal service fund. Revenue to this fund is derived from premium charges to user departments, employees, and other funds of the City. These charges are then available to pay claims, administrative costs and insurance premiums.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three fiscal years.

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool, and has currently placed coverage with them for its general liability and personal property claims. Coverage is provided up to a maximum of \$1,000,000. This coverage has a \$100,000 annual deductible. The City levies funds annually to cover all claims against this deductible.

The City participates in the LMCIT for its workers compensation insurance which is administered by Berkley Administrators. This is a retrospectively rated policy with the premium being based primarily on the City's loss experience.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

The LMCIT operates as a common risk management and insurance program for member cities. The LMCIT agreement provides that the LMCIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is \$1.2 million per occurrence for general liability and \$850,000 for workers compensation medical and hospitalization.

B. Commitments and Contingent Liabilities

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City had several commitments under construction contracts still in process at the end of the year. The combined total of remaining commitments was \$28,228,383 at December 31, 2023.

Power Sales Contract - Owatonna Public Utilities (electric, water and gas funds) is a member of the Southern Minnesota Municipal Power Agency (SMMPA). Under the terms of the power sales contract, Owatonna Public Utilities and the other members are committed to purchase 100% of their power requirements from SMMPA through the contract life. After which, Owatonna Public Utilities, and the other member cities, may elect to purchase their future power and energy requirements, from sources other than SMMPA. The contract expires April 2050 and the rates paid are subject to periodic review.

Capacity Purchase Agreement – On September 1, 1991, the Electric Utility entered into a Capacity Purchase Agreement with SMMPA. Under this agreement, the Utility has agreed to dedicate a gas fired electric generating facility owned by the Electric Utility for SMMPA's exclusive use. On December 27, 2017, the Electric Utility entered into a second amended and restated capacity purchase agreement with SMMPA. This agreement now states that SMMPA will manage the daily operations. Owatonna Public Utilities is now compensated based on the capacity of the unit, which involves lump-sum payments throughout the year. The contract remains in effect until the date five years after written notice of termination by either party or until retirement of the facility. On March 26, 2019, SMMPA notified Owatonna Public Utilities that they were going to make repairs to the unit. With that, Owatonna Public Utilities is foregoing the capacity payment from SMMPA until they have recovered the investment that was made to the unit. The cost recovery was completed in late 2023 and lump-sum capacity payments resumed.

Gas Service Agreement – Under its gas service agreement, the Gas Utility is committed to purchase its natural gas demand requirements from Northern Natural Gas Company until October 2027. The rates paid are in accordance with the Federal Energy Regulatory Commission.

Gas Purchase Commitment – The Gas Utility has entered into forward contracts to purchase a portion of its natural gas at a specified time in the future at a guaranteed price. The Gas Utility enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the Utilities is committed to buy. This would reduce the value of the contract. The Gas Utility is committed to purchase 3,873,310 MMBTU of natural gas through December 2027 for a total commitment of \$20,859,230 at December 31, 2023.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

C. Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

D. Deferred Compensation Plan

The City of Owatonna offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

E. Other Postemployment Benefits

The primary government includes amounts for the City and Owatonna Public Utilities (Electric Fund, Water Fund and Gas Fund); however the City and Owatonna Public Utilities had separate actuary reports for which the amounts were taken from.

1. The City

a. Plan Description

The City of Owatonna administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. There are 132 active participants, 35 actives waiving coverage, 6 retired participants. The healthcare plan does not issue a publicly available financial report.

b. Funding Policy

The City has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the City and union representatives. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For plan year 2023, the City contributed \$48,649 to the plan.

c. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to the reporting date of 12/31/23. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Health Care Trend Rates	7.60% for FY 2023, gradually decreasing over several decades to an ultimate rate of 3.9% in FY 2075 and later years.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

For general employees, mortality rates were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments. For police and fire, mortality rates were based on the Pub-2010 public safety mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The discount rate used to measure the total OPEB liability was 4.05%. The discount rate is based on the estimated yield of 20-year AA rated municipal bonds.

d. Changes in Total OPEB Liability

Balances at January 1, 2023	\$823,869
Changes for the Year:	
Service Cost	133,517
Interest	17,168
Change in Assumptions	(109,189)
Difference between expected and actual experience	(122,742)
Benefit Payments	(48,649)
Net change in Total OPEB Liability	<u>(129,895)</u>
Balances at December 31, 2023	<u>\$693,974</u>

e. Total OPEB Liability Sensitivity

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or on percentage point higher than the current discount rate:

	1% Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB Liability	<u>\$740,802</u>	<u>693,974</u>	<u>646,765</u>

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease In trend rate	Current Trend rate	1% Increase In trend rate
Total OPEB Liability	<u>\$600,600</u>	<u>\$693,974</u>	<u>\$806,584</u>

For the year ended December 31, 2023, the City recognized OPEB expense of \$48,486.

At December 31, 2023, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$17,416	\$460,245
Assumption Changes	54,528	107,467
City Contributions Made Subsequent to Measurement Date	48,649	
Total	<u>\$120,593</u>	<u>\$567,712</u>

\$48,649 reported as deferred outflow of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Year Ended December 31,	Amount
2024	\$(102,199)
2025	(102,199)
2026	(97,842)
2027	(87,165)
2028	(23,064)
Thereafter	(83,299)

2. Owatonna Public Utilities (Electric Fund, Water Fund and Gas Fund)

a. Plan Description

Owatonna Public Utilities operates a single-employer retiree benefit plan (the Plan) that provides health, life and dental insurance to eligible employees and their families through the Utilities health insurance plan. There are 58 active participants, 1 retired participant, and zero inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between the Utilities and various unions representing the Utilities' employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

b. Funding Policy

Contribution requirements are negotiated between the Utilities and union representatives. The eligibility for, amount of, duration of, and Utilities' contribution to the cost of the benefits provided varies by contract and date of retirement. The Utilities is funding this liability on a pay-as-you-go basis. For the plan year 2023, Owatonna Public Utilities contributed \$18,869 to the plan.

c. Total OPEB Liability

Owatonna Public Utility's total OPEB liability was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023.

Actuarial Assumptions

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Expected LT Investment Return	4.0%
Inflation	2.5%
Salary Increases	Service graded table
Medical Trend Rates	6.5% as of January 1, 2023 grading to 5.00% over 6 years and then to 4.00% over the next 48 years

The discount rate used to measure the total OPEB liability was 4.00%. Assets were projected using the expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-weighted Mortality Tables with MP-2020 General Improvement Scale to the Pub-2010 Public Retirement General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

The actuarial assumptions used in the January 1, 2023 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

d. Changes in Total OPEB Liability

Balances at January 1, 2023	\$195,424
Changes for the Year:	
Service Cost	11,456
Interest	3,990
Change in Assumptions	(13,692)
Difference between expected and actual experience	(29,381)
Benefit Payments	(14,835)
Net change in Total OPEB Liability	(42,462)
Balances at December 31, 2023	\$152,962

Since the prior measurement date, there were no changes in benefits.

Since the prior measurement date, the following assumption changes were made:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-weighted Mortality Tables with MP-2020 General Improvement Scale to the Pub-2010 Public Retirement General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.

e. Total OPEB Liability Sensitivity

The following presents the total OPEB liability of Owatonna Public Utilities, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or on percentage point higher than the current discount rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total OPEB Liability	\$161,396	\$152,962	\$144,877

The following presents the total OPEB liability of Owatonna Public Utilities, as well as what the Utility's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

	1% Decrease In trend rate	Current Trend rate	1% Increase In trend rate
Total OPEB Liability	\$141,029	\$152,962	\$166,739

For the year ended December 31, 2023, Owatonna Public Utilities recognized OPEB expense of \$23,657.

At December 31, 2023, Owatonna Public Utility's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience Assumption Changes		\$42,754
Utility Contributions Made Subsequent to Measurement Date	\$18,869	14,058
Total	\$18,869	\$56,812

\$18,869 reported as deferred outflow of resources related to OPEB resulting from the Utility's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount
2024	\$(15,384)
2025	(13,538)
2026	(13,533)
2027	(7,179)
2028	(7,178)

3. Combined OPEB Liability

	OPEB Liability	Deferred Inflow	Deferred Outflow	OPEB Expense
City	\$693,974	\$567,712	\$120,593	\$48,486
Owatonna Public Utilities	152,962	56,812	18,869	13,177
Total	846,936	624,524	139,462	61,663

F. Employee Retirement Systems

Substantially all City employees are members of retirement plans. The following disclosures are made in accordance with requirements of the Governmental Accounting Standards Board:

Public Employees Retirement Association

Cost-sharing Multiple Employer Defined Benefit Pension Plan

1. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

A. General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employees Plan (GEP) members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Public Employees Police and Fire Fund

The Police and Fire Plan (P&FP), originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the P&FP also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

A. GEP Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

B. P&FP Benefits

Benefits for the P&FP members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for P&FP members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For P&FP members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

3. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

A. General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GEP for the year ended December 31, 2023, were \$1,057,718. The City's contributions were equal to the required contributions as set by state statute.

B. Police and Fire Fund Contributions

PF&P members were required to contribute 11.8% of their annual covered salary in calendar year 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the P&FP for the year ended December 31, 2023, were \$761,653. The City's contributions were equal to the required contributions as set by state statute.

3. Pension Costs

A. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$9,763,437 for its proportionate share of the General Employee Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$269,124. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .1746% at the end of the measurement period and .1690% for the beginning of the period.

City's proportionate share of the net pension liability	\$9,763,437
State of Minnesota's proportionate share of the net pension liability associated with the City	269,124
Total	\$10,032,561

For the year ended December 31, 2023, the City recognized pension expense of \$1,639,327 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,209 as pension expense for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

At December 31, 2023, the City's proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$319,092	\$67,027
Assumption Changes	1,574,085	2,676,075
Net Difference between Projected and Actual Earnings on Pension Plan Investments		436,042
Change in Proportion	297,689	61,372
City Contributions Made Subsequent to Measurement Date	531,250	
Total	\$2,722,116	\$3,240,516

The \$531,250 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2024	\$278,280
2025	(1,350,730)
2026	234,599
2027	(211,799)

B. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$5,493,173 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.3181% at the end of the measurement period and .3234% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$1,583,418 for its proportionate share of the Police and Fire Plan's pension expense. The City

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

recognized \$(13,326) as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$221,260 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's proportionate share of the net pension liability	\$5,493,173
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>221,260</u>
Total	<u><u>\$5,714,433</u></u>

At December 31, 2023, the City's proportionate share of P&FP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	1,514,652	
Change of Assumptions	6,374,383	\$7,723,467
Net Difference between Projected and Actual Earnings on Pension Plan Investments		263,699
Change in Proportion	151,207	179,657
City Contributions Made Subsequent to Measurement Date	<u>399,078</u>	
Total	<u><u>\$8,439,320</u></u>	<u><u>\$8,166,823</u></u>

\$399,078 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2024	\$233,782
2025	21,802
2026	1,353,935
2027	(360,030)
2028	(1,376,070)

4. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Inflation is assumed to be 2.25% percent for the GEP and the P&FP. Benefit increases after retirement are assumed to be 1.25% for the GEP. The P&FP benefit increase is fixed at 1% per year and that was used in the valuation.

Salary growth assumptions in the GEP range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the P&FP, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the GEP are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the P&FP are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the GEP was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four year experience study for the P&FP was completed in 2020 as was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.
- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.
- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Bonds (Fixed Income)	25%	.75%
Alternative Assets (Private Markets)	25%	5.90%
Total	<u>100%</u>	

5. Discount Rate

The discount rate for the General Employees Fund used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	General Employees Fund		Police & Fire Fund	
1% Lower	6.0%	\$17,272,303	6.0%	\$10,899,111
Current Discount Rate	7.0%	9,763,437	7.0%	5,493,173
1% Higher	8.0%	3,587,108	8.0%	1,048,769

7. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Defined Contribution Plan

Eight council members of the City of Owatonna are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The DCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Owatonna during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$5,070	\$5,070	5.0%	5.0%	5.0%

Owatonna Firefighter's Relief Association

Single Employer Defined Benefit Pension Plan

1. Plan Description

Firefighters of the City of Owatonna are members of the Owatonna Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2022, membership includes 28 active participants and 5 terminated employees entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

2. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$13,850 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$13,850 for each year the member was an active member of the Owatonna Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

3. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City and state aid is determined as follows:

	Normal Cost	
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change	
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change	
+	Administrative Expenses	
-	Anticipated State Aid	
-	Projected Investment Earnings	
=	Total Contribution Required	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$201,506 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2022 was \$0.

4. Pension Costs

At December 31, 2023, the City reported an asset of \$1,125,809 for the Association's net pension asset. The net pension asset was measured as of December 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$300,212 for the year ended December 31, 2023. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$201,199	\$78,487
Changes of Actuarial Assumptions	42,673	56,801
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,943	
Total	\$257,815	\$135,288

Amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2024	\$(81,015)
2025	1,872
2026	32,263
2027	86,889
2028	13,407
Thereafter	69,113

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

5. Actuarial Assumptions

The actuarial total pension asset was determined as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/22
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line Closed
Actuarial Assumptions:	
Discount Rate	6.50%
Investment Rate of Return	6.50%
20-Year Municipal Bond Yield	4.05%
Age of Service Retirement	50

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.5%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2023 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2022 are summarized in the following table:

Asset Class	Allocation at December 31, 2020	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	51.00%	4.91%	7.41%
International Equity	15.00%	5.32%	7.82%
Fixed Income	12.00%	2.30%	4.80%
Real Estate	0.00%	3.79%	6.29%
Cash Equivalents	22.00%	.77%	3.27%
Total	100.00%		6.64%
Reduced for assumed investment expense			(0.10%)
Net assumed investment return (rounded to ¼%)			6.50%

6. Discount Rate

The discount rate used to measure the total pension liability was 6.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

7. Pension Liability Sensitivity

The following presents the City of Owatonna's net pension asset of the Association, calculated using the discount rate of 6.5%, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Asset	\$1,017,481	\$1,125,809	\$1,227,093
Discount Rate	5.5%	6.5%	7.5%

8. Plan's Fiduciary Net Position

Information about the Plan's fiduciary net position is as follows:

	2022
Assets	
Cash and Investments	\$2,902,552
Total Assets	\$2,902,552
Net Position	
Unrestricted	\$2,902,552
Revenues	
Fire State Aid	\$201,506
Interest	(176,742)
Total Revenues	24,764
Expenses	
Benefit Payments	977,062
Administrative	6,830
Total Expenses	983,892
Change in Net Position	(959,128)
Beginning Net Position	3,861,680
Ending Net Position	\$2,902,552

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2023

Information about the changes in the Plan's net pension asset is as follows:

	Measurement Date December 31, 2022
<u>Total Pension Liability</u>	
Service Cost	\$154,970
Interest	107,621
Difference between expected and actual experience	211,700
Changes of assumptions	(58,700)
Changes of benefit terms	210,977
Benefit payments, including member contribution refunds	(977,062)
Net Change in Total Pension Liability	(350,494)
Total Pension Liability – Beginning	2,127,237
Total Pension Liability – Ending (a)	\$1,776,743
<u>Plan Fiduciary Net Position</u>	
State Contributions	\$201,506
Net Investment Income	(176,742)
Benefit Payments	(977,062)
Administrative Expenses	(6,830)
Net Change in Fiduciary Net Position	(959,128)
Fiduciary Net Position – Beginning	3,861,680
Fiduciary Net Position – Ending (b)	\$2,902,552
Association's Net Pension Liability/(Asset) – Ending (a) – (b)	\$(1,125,809)

Summary

The aggregate amount of net pension liability, net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

Description	General Employees Plan	Police & Fire Plan	Fire Relief Association	Total
Net Pension Asset			\$1,125,809	\$1,125,809
Net Pension Liability	\$9,763,437	\$5,493,173		15,256,610
Deferred Outflows of Resources	2,722,116	8,439,320	257,815	11,419,251
Deferred Inflows of Resources	3,240,516	8,166,823	135,288	11,542,627
Pension Expense	1,640,536	1,570,092	300,212	3,510,840

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios

The City

Measurement Date	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Total OPEB Liability				
Service Cost	\$133,517	\$126,615	\$94,965	\$83,991
Interest	17,168	16,749	20,567	25,242
Change in Assumptions	(109,189)	8,373	(14,037)	4,927
Difference between expected and actual experience	(122,742)	(1,810)	25,331	
Benefit Payments	<u>(48,649)</u>	<u>(73,745)</u>	<u>(64,085)</u>	<u>(51,214)</u>
Net Change in Total OPEB Liability	<u>(129,895)</u>	<u>76,182</u>	<u>62,740</u>	<u>62,946</u>
Total OPEB Liability – Beginning	<u>823,869</u>	<u>747,687</u>	<u>684,946</u>	<u>622,000</u>
Total OPEB Liability – Ending	<u><u>\$693,974</u></u>	<u><u>\$823,869</u></u>	<u><u>\$747,687</u></u>	<u><u>\$684,946</u></u>
Covered-Employee Payroll	\$11,112,609	\$10,385,499	\$9,873,847	\$9,633,244
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	6%	8%	8%	7%

Measurement Date	<u>12/31/18</u>	<u>12/31/17</u>
Total OPEB Liability		
Service Cost	\$84,233	\$74,266
Interest	39,428	46,808
Change in Assumptions	57,376	62,955
Difference between expected and actual experience	(647,385)	(193,904)
Benefit Payments	<u>(37,166)</u>	<u>(37,841)</u>
Net Change in Total OPEB Liability	<u>(503,514)</u>	<u>(47,716)</u>
Total OPEB Liability – Beginning	<u>1,125,514</u>	<u>1,173,230</u>
Total OPEB Liability – Ending	<u><u>\$622,000</u></u>	<u><u>\$1,125,514</u></u>
Covered-Employee Payroll	\$9,144,510	\$8,834,953
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	7%	13%

Note: Information is presented prospectively and an accumulation of ten years will be provided. No assets are accumulated in a trust that meets the criteria of GASB 75.

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios

Owatonna Public Utilities (Electric Fund, Water Fund, and Gas Fund)

Measurement Date	12/31/22	12/31/21	12/31/20	12/31/19
Total OPEB Liability				
Service Cost	\$11,456	\$14,720	\$14,291	\$11,714
Interest	3,990	3,929	8,503	8,141
Change in Assumptions	(13,692)		(4,703)	
Difference between expected and actual experience	(29,381)		(33,446)	
Benefit Payments	(14,835)	(9,865)	(14,816)	(11,011)
Net Change in Total OPEB Liability	(42,462)	8,784	(30,171)	8,844
Total OPEB Liability – Beginning	195,424	186,640	216,811	207,967
Total OPEB Liability – Ending	<u>\$152,962</u>	<u>\$195,424</u>	<u>\$186,640</u>	<u>\$216,811</u>
Covered-Employee Payroll	\$5,580,619	\$5,452,413	\$5,293,603	\$4,774,288
OPU's Total OPEB Liability as a Percentage of Covered-Employee Payroll	3%	4%	4%	5%

Measurement Date	12/31/18	12/31/17
Total OPEB Liability		
Service Cost	\$11,373	\$11,721
Interest	7,221	7,011
Change in Assumptions	(9,309)	
Difference between expected and actual experience	(1,782)	
Benefit Payments	(13,832)	(10,266)
Net Change in Total OPEB Liability	(6,329)	8,466
Total OPEB Liability – Beginning	214,296	205,830
Total OPEB Liability – Ending	<u>\$207,967</u>	<u>\$214,296</u>
Covered-Employee Payroll	\$4,635,231	\$4,460,144
OPU's Total OPEB Liability as a Percentage of Covered-Employee Payroll	4%	5%

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability

PERA General Employee's Retirement Fund (GEP)

<u>Fiscal Year Ending</u>	<u>Proportion Of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>State's Proportionate Share of NPL Associated With the City</u>	<u>Total</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the NPL (asset) As a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/23	.1746%	\$9,763,437	\$269,124	\$10,032,561	\$13,750,074	72.54%	83.10%
6/30/22	.1690%	13,384,856	392,506	13,777,362	12,623,020	109.14%	76.67%
6/30/21	.1696%	7,242,680	221,202	7,463,882	12,427,916	60.06%	87.00%
6/30/20	.1668%	10,000,422	308,478	10,308,900	11,895,887	86.66%	79.06%
6/30/19	.1666%	9,210,941	286,155	9,497,096	11,823,289	80.33%	80.20%
6/30/18	.1691%	9,380,975	307,610	9,688,585	11,372,604	82.49%	79.53%
6/30/17	.1732%	11,056,974	139,012	11,195,986	11,313,906	98.96%	75.90%
6/30/16	.1682%	13,657,005	178,369	13,835,374	10,443,843	130.77%	68.91%
6/30/15	.1672%	8,665,171	0	8,665,171	9,826,867	88.18%	78.20%

PERA Public Employee's Police & Fire Fund (P&FP)

<u>Fiscal Year Ending</u>	<u>Proportion Of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>State's Proportionate Share of NPL Associated With the City</u>	<u>Total</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the NPL (asset) As a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/23	.3234%	\$5,493,173	\$221,260	\$5,714,433	\$4,177,006	136.81%	86.47%
6/30/22	.3234%	14,073,091	614,740	14,687,831	3,932,669	373.48%	70.53%
6/30/21	.3147%	2,429,150	109,225	2,538,375	3,719,662	68.24%	93.70%
6/30/20	.3102%	4,088,768	96,322	4,185,090	3,504,057	116.69%	87.19%
6/30/19	.3301%	3,514,248		3,514,248	3,482,445	100.91%	89.26%
6/30/18	.3187%	3,397,014		3,397,014	3,358,796	101.14%	88.84%
6/30/17	.327%	4,414,889		4,414,889	3,361,271	131.35%	85.40%
6/30/16	.319%	12,802,025		12,802,025	3,070,825	416.89%	63.88%
6/30/15	.311%	3,533,688		3,533,688	2,853,462	123.84%	86.60%

Note: Information is presented prospectively and an accumulation of ten years will be provided.

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of City Contributions

PERA General Employee's Retirement Fund (GEP)

Year Ending	Contractually Required Contribution	Contributions In Relation To the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contribution as A Percentage of Covered Payroll
12/31/23	\$1,057,718	\$1,057,718	\$0	\$14,104,112	7.5%
12/31/22	984,318	984,318	0	13,124,346	7.5%
12/31/21	935,050	935,050	0	12,467,323	7.5%
12/31/20	901,503	901,503	0	12,016,880	7.5%
12/31/19	899,306	899,306	0	11,912,770	7.5%
12/31/18	863,494	863,494	0	11,513,238	7.5%
12/31/17	836,385	836,385	0	11,151,750	7.5%
12/31/16	804,270	804,270	0	10,726,757	7.5%
12/31/15	778,475	778,475	0	10,379,740	7.5%
12/31/14	695,645	695,645	0	9,595,508	7.5%

PERA Public Employee's Police & Fire Fund (P&FP)

Year Ending	Contractually Required Contribution	Contributions In Relation To the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contribution as A Percentage of Covered Payroll
12/31/23	\$761,653	\$761,653	\$0	\$4,303,121	17.70%
12/31/22	714,779	714,779	0	4,038,299	17.70%
12/31/21	675,856	675,856	0	3,818,339	17.70%
12/31/20	635,498	635,498	0	3,590,385	17.70%
12/31/19	602,462	602,462	0	3,554,348	16.95%
12/31/18	545,388	545,388	0	3,366,594	16.20%
12/31/17	544,997	544,997	0	3,364,225	16.20%
12/31/16	500,744	500,744	0	3,091,017	16.20%
12/31/15	508,708	508,708	0	3,140,174	16.20%
12/31/14	432,074	432,074	0	2,824,017	15.30%

Owatonna Firefighter's Relief Association

Year Ending	Contractually Required Contribution	Contributions In Relation To the Contractually Required Contribution	Contribution Deficiency (Excess)	Association's Covered Payroll	Contribution as A Percentage of Covered Payroll
12/31/23	\$0	\$0	\$0	N/A	N/A
12/31/22	0	0	0	N/A	N/A
12/31/21	0	0	0	N/A	N/A
12/31/20	0	0	0	N/A	N/A
12/31/19	0	0	0	N/A	N/A
12/31/18	0	0	0	N/A	N/A
12/31/17	0	0	0	N/A	N/A
12/31/16	0	0	0	N/A	N/A
12/31/15	0	0	0	N/A	N/A
12/31/14	0	0	0	N/A	N/A

Note: Information is presented prospectively and an accumulation of ten years will be provided.

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association

Notes to the Required Supplemental Information - General Employees Fund

Changes in Actuarial Assumptions

2023 – The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability. The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

2016 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

2023 – An additional one-time direct state aid contribution of 170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2023, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There have been no changes since the prior valuation.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Notes to the Required Supplemental Information – Police and Fire Fund

Changes in Actuarial Assumptions

2023 – The investment return assumption was changed from 6.5% to 7.0%. The single discount rate changed from 5.4% to 7.0%.

2022 – The single discount rate was changed from 6.50 percent to 5.40 percent. The mortality improvement scale was changed from MP-2020 to MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association

2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.60 percent. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

2023 - Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023. Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There have been no changes since the prior valuation.

2019 - There have been no changes since the prior valuation.

2018 - Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - There have been no changes since the prior valuation.

2016 - There have been no changes since the prior valuation.

2015 - The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent

Notes to the Required Supplemental Information – Owatonna Firefighters Relief Association

Changes in Actuarial Assumptions

2023 – The expected investment return and discount rate increased from 6.0% to 6.5% to reflect updated capital market assumptions. The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association

1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption increased from 2.25% to 2.50%.

2022 - There have been no changes since the prior valuation.

2021 - The expected investment return and discount rate decreased from 6.25% to 6.00% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan Actuarial valuation. The inflation assumption decreased from 2.5% to 2.25%.

2020 - There have been no changes since the prior valuation.

2019 – The expected investment return and discount rate decreased from 6.75% to 6.25% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan Actuarial valuation. The inflation assumption decreased from 2.75% to 2.50%.

2018 – The expected investment return and discount rate increased from 6.5% to 6.75% to reflect updated capital market assumptions.

2017 - The expected investment return and discount rate decreased from 7.0% to 6.5% to reflect updated capital market assumptions.

2016 – The discount rate decreased from 7.5% to 7.0%.

2015 – There have been no changes since the prior valuation.

Changes in Plan Provisions

2022 – Lump sum benefit increased to 13,850 from \$12,050

2021 – Lump sum benefit increased to \$12,050 from \$7,500

2020 – Lump sum benefit increased to \$7,500 from \$7,150

2019 – Lump sum benefit increased to \$7,150 from \$6,800

2018 – Lump sum benefit increased to \$6,800 from \$6,450

2017 – Lump sum benefit increased to \$6,450 from \$6,100

2016 – Lump sum benefit increased to \$6,100 from \$5,750

2015 – Lump sum benefit increased to \$5,750 from \$5,400

Notes to Required Supplementary Information - OPEB (City)

Changes in Actuarial Assumptions

2023 – The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated costs increase expectations. Medical per capita claims costs were updated to reflect experience and new plan offerings. Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan and 7/1/20 PERA Police and Fire valuations to the rates used in the 7/1/22 valuations. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations. The payroll growth assumption was changed from 3.00% to 3.25% based on updated inflation assumptions.

2022 – The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.

2021 – The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including adjustment to reflect age/gender-based risk scores published by the Society of Actuaries. Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Police and Fire Plan valuations to the rates used in the 7/1/2020 valuations. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The inflation assumption was changed from 2.5% to 2.25% based on updated historical analysis of inflation rates and forward-looking market expectations.

2020 – The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates. The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association

2019 – The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claim costs were updated to reflect recent experience. Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rate used in the 7/1/2018 valuation. Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA Police & Fire Plan to the rate used in the 7/1/2018 valuation. The percent of future retirees not eligible for a direct subsidy assumed to elect coverage at retirement changed from 25% to 30% to reflect plan experience. The percent of future non-Medicare eligible retiree electing each medical plan changed to reflect recent plan experience.

2018 – The discount rate was changed from 3.81% to 3.31% based on update 20-year municipal bond rates. Healthcare trend rates were updated.

Changes in Plan Provisions

2023 – There have been no changes since the prior valuation.

2022 – There have been no changes since the prior valuation.

2021 – Retiree premiums were updated to current levels. Active City contribution rates used for disabled in the line of duty retirees were updated to current levels.

2020 – There have been no changes since the prior valuation.

2019 – Retiree premiums were updated to current levels. Active City contribution rates used for disabled in the line of duty retirees were updated to current levels.

2018 – There have been no changes since the prior valuation.

Notes to Required Supplementary Information - OPEB (Utility - OPU)

Changes in Assumptions

2023 – The healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-weighted Mortality Tables with MP-2021 Generational Improvement Scale. The inflation rate was changed from 2.0% to 2.5%. The discount rate was changed from 2.0% to 4.0%.

2022 – The healthcare trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated.

2021 - The healthcare trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated. The discount rate was changed from 3.8% to 2.0%.

2020 – The healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with RP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale. The discount rate was changed from 3.3% to 3.8%.

2019 – The discount rate was changed from 3.5% to 3.3%.

2018 – There were no changes due to being the first actuarial valuation of Other Postemployment Benefits that Hildi Inc has completed for the Utility.

Changes in Plan Provisions

2023 – There have been no changes since the prior valuation.

2022 – There have been no changes since the prior valuation.

2021 – There have been no changes since the prior valuation.

2020 – There have been no changes since the prior valuation.

2019 – There have been no changes since the prior valuation.

2018 - There were no changes due to being the first actuarial valuation of Other Postemployment Benefits that Hildi Inc has completed for the Utility.

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Asset and Related Ratios – Relief Association

Measurement Date	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Total Pension Liability				
Service Cost	\$154,970	\$98,704	\$79,789	\$74,059
Interest	107,621	88,014	100,866	120,472
Differences between expected and actual experience	211,700		(56,749)	
Changes of assumptions	(58,700)		21,869	
Changes of benefit terms	210,977	704,322	62,864	116,163
Benefit Payments, Including member refunds	(977,062)	(264,000)	(485,026)	(775,201)
Net Change in Total Pension Liability	<u>(350,494)</u>	<u>627,040</u>	<u>(276,387)</u>	<u>(464,507)</u>
Total Pension Liability – Beginning	<u>2,127,237</u>	<u>1,500,197</u>	<u>1,776,584</u>	<u>2,241,091</u>
Total Pension Liability – Ending (a)	<u>\$1,776,743</u>	<u>\$2,127,237</u>	<u>\$1,500,197</u>	<u>\$1,776,584</u>
Plan Fiduciary Net Position				
State Contributions	\$201,506	\$192,743	\$182,734	\$172,284
Net Investment Income	(176,742)	432,685	351,109	595,639
Benefit Payments	(977,062)	(264,000)	(485,026)	(775,201)
Administrative Expenses	(6,830)	(6,775)	(6,630)	(6,577)
Net Change in Fiduciary Net Position	<u>(959,128)</u>	<u>354,653</u>	<u>42,187</u>	<u>(13,855)</u>
Fiduciary Net Position – Beginning	<u>3,861,680</u>	<u>3,507,027</u>	<u>3,464,840</u>	<u>3,478,695</u>
Fiduciary Net Position – Ending (b)	<u>2,902,552</u>	<u>3,861,680</u>	<u>3,507,027</u>	<u>3,464,840</u>
Association's Net Pension Liability/(Asset) – Ending (a) – (b)	<u><u>\$(1,125,809)</u></u>	<u><u>\$(1,734,443)</u></u>	<u><u>\$(2,006,830)</u></u>	<u><u>\$(1,688,256)</u></u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	163.36%	181.54%	233.77%	195.03%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Note: Information is presented prospectively and an accumulation of ten years will be provided.

<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
\$64,491	\$61,804	\$66,200	\$53,176	\$51,753
143,064	137,411	140,109	130,326	135,178
12,562		(121,874)		
28,310	(8,549)	20,753	19,092	
105,546	62,880	107,406	61,077	
<u>(335,717)</u>	<u>(165,835)</u>	<u>(25,640)</u>		<u>(506,107)</u>
18,256	87,711	186,954	263,671	(319,176)
<u>2,222,835</u>	<u>2,135,124</u>	<u>1,948,170</u>	<u>1,684,499</u>	<u>2,003,675</u>
\$2,241,091	\$2,222,835	\$2,135,124	\$1,948,170	\$1,684,499
\$168,599	\$164,842	\$164,223	\$169,227	\$154,878
(208,750)	528,546	200,390	9,916	260,890
(335,717)	(165,835)	(25,640)		(506,107)
(6,549)	(6,340)	(6,311)	(6,291)	(6,218)
<u>(382,417)</u>	<u>521,213</u>	<u>332,662</u>	<u>172,852</u>	<u>(96,557)</u>
<u>3,861,112</u>	<u>3,339,899</u>	<u>3,007,237</u>	<u>2,834,385</u>	<u>2,930,942</u>
3,478,695	\$3,861,112	\$3,339,899	\$3,007,237	\$2,834,385
<u><u>\$(1,237,604)</u></u>	<u><u>\$(1,638,277)</u></u>	<u><u>\$(1,204,775)</u></u>	<u><u>\$(1,059,067)</u></u>	<u><u>\$(1,149,886)</u></u>
155.22%	173.70%	156.43%	165.70%	168.26%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

COMBINING STATEMENTS

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Nonmajor Governmental Funds

Special Revenue Funds

Library Reserve and Memorial Fund – This fund is used to account for private donations and memorials that are specifically to be used for library activity. The Hunewill Trust principal was set to remain at \$16,500 with interest earnings being used to purchase books as specified by donor.

MIF Fund – This fund was established to account for grants received for flood recovery.

Capital Projects Funds – see fund definitions on pages 115-116

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	Library Reserve & Memorial Fund	Special Revenue MIF Fund
ASSETS		
Cash and cash equivalents	\$673,816	\$21
Investments		
Total assets	\$673,816	\$21
LIABILITIES		
Accounts payable	\$12,094	
Due to other funds		
Advance from other funds		
Total liabilities	12,094	
FUND BALANCES		
Restricted for:		
Hunewill	16,500	
Memorials	645,222	
Grant projects		\$21
Capital projects		
Economic development		
Unassigned		
Total fund balances	661,722	21
Total liabilities and fund balances	\$673,816	\$21

<u>Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Total</u>		
\$673,837	\$123,324 600,000	\$797,161 600,000
<u>\$673,837</u>	<u>\$723,324</u>	<u>\$1,397,161</u>
\$12,094	\$14,991 1,983 771,060	\$27,085 1,983 771,060
<u>12,094</u>	<u>788,034</u>	<u>800,128</u>
16,500 645,222 21	634,819 71,465 (770,994)	16,500 645,222 21 634,819 71,465 (770,994)
<u>661,743</u>	<u>(64,710)</u>	<u>597,033</u>
<u>\$673,837</u>	<u>\$723,324</u>	<u>\$1,397,161</u>

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2023

	Library Reserve & Memorial Fund	Special Revenue MIF Fund
REVENUES		
Taxes		
Interest on investments	\$27,472	
Miscellaneous	125,778	
Total revenues	153,250	
EXPENDITURES		
Current:		
Housing & economic development		
Miscellaneous	83,528	
Capital outlay		
Total expenditures	83,528	
Excess of revenues over (under) expenditures	69,722	
OTHER FINANCING SOURCES (USES)		
Transfers out		
Total other financing sources (uses)		
Net change in fund balances	69,722	
Fund balances – beginning	592,000	\$21
Fund balances – ending	\$661,722	\$21

<u>Funds</u>	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Total</u>		
	\$2,569,808	\$2,569,808
\$24,472	33,407	60,879
125,778		125,778
<u>153,250</u>	<u>2,603,215</u>	<u>2,756,465</u>
	2,351,889	2,351,889
83,528		83,528
	278,998	278,998
<u>83,528</u>	<u>2,630,887</u>	<u>2,714,415</u>
69,722	(27,672)	42,050
	(83,520)	(83,520)
	<u>(83,520)</u>	<u>(83,520)</u>
69,722	(111,192)	(41,470)
<u>592,021</u>	<u>46,482</u>	<u>638,503</u>
<u>\$661,743</u>	<u>\$(64,710)</u>	<u>\$597,033</u>

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Nonmajor Capital Projects Funds

A Capital Projects Fund is established to account for financial resources to be used for the acquisition or construction of major capital assets.

Sales Tax Capital Projects Fund – was established to account for the capital projects being funded by the special local option sales tax and excise tax.

TIF 3-6 Viracon Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-7 Kerry Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-8 Daikin Applied Economic Development Fund – were established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-9 Cybex Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-10 ProPet Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-11 Cemstone Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-12 Costco Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with creation of the distribution facility.

TIF 3-13 Daikin Applied Economic Development Fund – were established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-14 Bosch Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 4-1 Hospital Redevelopment Fund – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old hospital site.

TIF 5-1 Tailwind Redevelopment Fund – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old Hardees/Budgetmart site.

TIF 7-1 Gateway #2 Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 8-1 South Pointe #1 Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 8-2 South Pointe #2 Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 9-1 Arrow Ace Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 10-1 E Pearl Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 10-2 Marriott Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 11-1 Toreys Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 12-1 Metropolitan Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 13-1 Foremost Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 14-1 Eastgate Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 15-1 Mound Street Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 16-1 202 Bridge Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

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CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2023

	Sales Tax Capital Projects Fund	TIF 3-6 Viracon Fund	TIF 3-7 Kerry Fund	TIF 3-8 Daikin Fund
ASSETS				
Cash and cash equivalents	\$45,086	\$70,362		\$66
Investments	600,000			
Total assets	<u>\$645,086</u>	<u>\$70,362</u>	<u>\$0</u>	<u>\$66</u>
LIABILITIES				
Accounts payable	\$10,267			
Due to other funds		\$1,983		
Advance from other funds				\$18,318
Total liabilities	<u>10,267</u>	<u>1,983</u>		<u>18,318</u>
FUND BALANCES				
Restricted for:				
Capital projects	\$634,819			
Economic development				
Unassigned		68,379		(18,252)
Total fund balances	<u>634,819</u>	<u>68,379</u>		<u>(18,252)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$645,086</u>	<u>\$70,362</u>	<u>\$0</u>	<u>\$66</u>

	TIF 5-1 Tailwind Fund	TIF 7-1 Gateway #2 Fund	TIF 8-1 South Pointe #1 Fund	TIF 8-2 South Pointe #2 Fund
ASSETS				
Cash and cash equivalents				
Investments				
Total assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
LIABILITIES				
Accounts payable				
Due to other funds				
Advance from other funds				
Total liabilities				
FUND BALANCES				
Restricted for:				
Capital projects				
Economic development				
Unassigned				
Total fund balances				
Total liabilities, deferred inflows of resources and fund balances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

TIF 3-9 Cybex Fund	TIF 3-10 ProPet Fund	TIF 3-11 Cemstone Fund	TIF 3-12 Costco Fund	TIF 3-13 Daikin #2 Fund	TIF 3-14 Bosch Fund	TIF 4-1 Hospital Redevelop Fund
		\$4,724				\$3,086
\$0	\$0	\$4,724	\$0	\$0	\$0	\$3,086
		\$4,724			\$270,253	
		4,724			270,253	
					(270,253)	\$3,086
					(270,253)	3,086
\$0	\$0	\$0	\$0	\$0	\$0	\$3,086

TIF 9-1 Arrow Ace Fund	TIF 10-1 E Pearl Fund	TIF 10-2 Marriott Fund	TIF 11-1 Toreys Fund	TIF 12-1 Metropolitan Fund	TIF 13-1 Foremost Fund	TIF 14-1 Eastgate Fund
\$0	\$0	\$0	\$0	\$0	\$0	\$0
						\$482,489
						482,489
						(482,489)
						(482,489)
\$0	\$0	\$0	\$0	\$0	\$0	\$0

(Continued)

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet (Continued)
Nonmajor Capital Projects Funds
December 31, 2023

	TIF 15-1 Mound St Fund	TIF 16-1 202 Bridge Fund	Total Nonmajor Capital Project Funds
ASSETS			
Cash and cash equivalents			\$123,324
Investments			600,000
Total assets	\$0	\$0	\$723,324
LIABILITIES			
Accounts payable			\$14,991
Due to other funds			1,983
Advance from other funds			771,060
Total liabilities			788,034
FUND BALANCES			
Restricted for:			
Capital projects			634,819
Economic development			71,465
Unassigned			(770,994)
Total fund balances			(64,710)
Total liabilities, deferred inflows of resources and fund balances	\$0	\$0	\$723,324

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CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the year ended December 31, 2023

	Sales Tax Capital Projects Fund	TIF 3-6 Viracon Fund	TIF 3-7 Kerry Fund	TIF 3-8 Daikin Fund
REVENUES				
Taxes		\$427,427	\$44,921	\$194,015
Interest on investments	\$33,407			
Total revenues	<u>33,407</u>	<u>427,427</u>	<u>44,921</u>	<u>194,015</u>
EXPENDITURES				
Current				
Housing & economic development		263,355	44,921	176,538
Capital outlay	278,998			
Total expenditures	<u>278,998</u>	<u>263,355</u>	<u>44,921</u>	<u>176,538</u>
Excess of revenues over (under) expenditures	(245,591)	164,072		17,477
OTHER FINANCING SOURCES (USES)				
Transfers out		(83,520)		
Total other financing sources (uses)		<u>(83,520)</u>		
Net change in fund balances	(245,591)	80,552		17,477
Fund balances- beginning	880,410	(12,173)		(35,729)
Fund balances – ending	<u>\$634,819</u>	<u>\$68,379</u>	<u>\$0</u>	<u>\$(18,252)</u>

	TIF 5-1 Tailwind Fund	TIF 7-1 Gateway #2 Fund	TIF 8-1 South Pointe #1 Fund	TIF 8-2 South Pointe #2 Fund
REVENUES				
Taxes	\$12,066	\$27,247	\$62,965	\$43,690
Interest on investments				
Total revenues	<u>12,066</u>	<u>27,247</u>	<u>62,965</u>	<u>43,690</u>
EXPENDITURES				
Current				
Housing & economic development	12,066	27,247	62,965	43,690
Capital outlay				
Total expenditures	<u>12,066</u>	<u>27,247</u>	<u>62,965</u>	<u>43,690</u>
Excess of revenues over (under) expenditures				
OTHER FINANCING SOURCES (USES)				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances				
Fund balances- beginning				
Fund balances – ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

TIF 3-9 Cybex Fund	TIF 3-10 ProPet Fund	TIF 3-11 Cemstone Fund	TIF 3-12 Costco Fund	TIF 3-13 Daikin #2 Fund	TIF 3-14 Bosch Fund	TIF 4-1 Hospital Redevelop Fund
\$226,848	\$55,705	\$4,220	\$713,084	\$162,547	\$258,075	\$60,540
<u>226,848</u>	<u>55,705</u>	<u>4,220</u>	<u>713,084</u>	<u>162,547</u>	<u>258,075</u>	<u>60,540</u>
226,848	55,705	4,935	713,084	162,547	223,862	57,494
<u>226,848</u>	<u>55,705</u>	<u>4,935</u>	<u>713,084</u>	<u>162,547</u>	<u>223,862</u>	<u>57,494</u>
		(715)			34,213	3,046
		(715)			34,213	3,046
		715			(304,466)	40
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(270,253)</u>	<u>\$3,086</u>

TIF 9-1 Arrow Ace Fund	TIF 10-1 E Pearl Fund	TIF 10-2 Marriott Fund	TIF 11-1 Toreys Fund	TIF 12-1 Metropolitan Fund	TIF 13-1 Foremost Fund	TIF 14-1 Eastgate Fund
\$19,932	\$12,170	\$27,258	\$18,718	\$94,828	\$13,201	\$30,492
<u>19,932</u>	<u>12,170</u>	<u>27,258</u>	<u>18,718</u>	<u>94,828</u>	<u>13,201</u>	<u>30,492</u>
20,106	12,170	27,258	18,718	94,828	13,201	30,492
<u>20,106</u>	<u>12,170</u>	<u>27,258</u>	<u>18,718</u>	<u>94,828</u>	<u>13,201</u>	<u>30,492</u>
(174)						
(174)						
<u>174</u>						
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the year ended December 31, 2023

	TIF 15-1 Mound Street Fund	TIF 16-1 202 Bridge Fund	Total Nonmajor Capital Projects Funds
REVENUES			
Taxes	\$47,207	\$12,652	\$2,569,808
Interest on investments			33,407
Total revenues	47,207	12,652	2,603,215
EXPENDITURES			
Current			
Housing & economic development	47,207	12,652	2,351,889
Capital outlay			278,998
Total expenditures	47,207	12,652	2,630,887
Excess of revenues over (under) expenditures			(27,672)
OTHER FINANCING SOURCES (USES)			
Transfers out			(83,520)
Total other financing sources (uses)			(83,520)
Net change in fund balances			(111,192)
Fund balances- beginning			46,482
Fund balances – ending	\$0	\$0	\$(64,710)

Discretely Presented Component Unit

The Economic Development Authority (EDA) consists of three funds which are all accounted for as governmental funds.

EDA Administration Fund

This fund accounts for the administrative activities related to economic and industrial development and redevelopment within the City.

EDA Loan Fund

This fund accounts for the activities related to loans for the purpose of economic and industrial development and redevelopment within the City.

EDA Land Fund

This fund accounts for the activities related to the acquisition and sale of land related to economic and industrial development and redevelopment within the City.

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Component Unit – Economic Development Authority
December 31, 2023

	EDA Administration Fund	EDA Loan Fund	EDA Land Fund	Total EDA Funds
ASSETS				
Cash and cash equivalents	\$127,829	\$54,750	\$279,110	\$461,689
Investments		800,000	500,000	1,300,000
Interest receivable		60		60
Accounts receivable	18,059			18,059
Loans receivable		42,230	2,005,890	2,048,120
Land held for resale			2,148,713	2,148,713
Total assets	\$145,888	\$897,040	\$4,933,713	\$5,976,641
LIABILITIES				
Accounts payable	\$38,355	\$25,020		\$63,375
Total liabilities	38,355	25,020		63,375
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue			\$597,973	597,973
Total deferred inflows of resources			597,973	597,973
FUND BALANCES				
Restricted for:				
Economic development		872,020	4,335,740	5,207,760
Unrestricted	107,533			107,533
Total fund balances	107,533	872,020	4,335,740	5,315,293
Total liabilities, deferred inflows of resources and fund balances	\$145,888	\$897,040	\$4,933,713	\$5,976,641

Fund balances – component unit \$5,315,293

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 508,251

Donated land held for resale is not expected to be sold soon enough to provide available resources and therefore, is a deferred inflow in the funds 91,500

Other long-term assets are not available to pay for current expenditures, and therefore, are a deferred inflow in the funds 506,473

Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. (1,848)

Net position – component unit \$6,419,669

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit – Economic Development Authority
For the year ended December 31, 2023

	EDA Administration Fund	EDA Loan Fund	EDA Land Fund	Total EDA Funds
REVENUES				
Taxes	\$477,938			\$477,938
Intergovernmental revenue	352,000			352,000
Interest on investments	5,335	\$36,049	\$31,782	73,166
Interest on loans		1,187	43,073	44,260
Miscellaneous	60,410	300	184,566	245,276
Total revenues	895,683	37,536	259,421	1,192,640
EXPENDITURES				
Current – miscellaneous	878,306	79,359	31,871	989,536
Capital Outlay				
Total expenditures	878,306	79,359	31,871	989,536
Excess of revenues over (under)				
Expenditures	17,377	(41,823)	227,550	203,104
Fund balance - beginning	90,156	913,843	4,108,190	5,112,189
Fund balance – ending	\$107,533	\$872,020	\$4,335,740	\$5,315,293
Net change in fund balances – component unit				\$203,104
Amounts reported for governmental activities in the Statement of Activities are different because:				
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.				16,567
Change in Net position – component unit				\$219,671

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF OWATONNA, MINNESOTA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2023

	Land	Buildings	Improv. Other than Buildings	Equipment
General Government				
Administrative Services	\$1,872,554	\$6,535,842		\$1,354,682
Government Buildings		4,194,400	\$44,649	73,137
Total General Government	<u>1,872,554</u>	<u>10,730,242</u>	<u>44,649</u>	<u>1,427,819</u>
Public Safety				
Police	80,472	963,405	89,442	404,328
Fire	248,982	2,702,625		1,657,831
Building Inspection				37,097
Total Public Safety	<u>329,454</u>	<u>3,666,030</u>	<u>89,442</u>	<u>2,099,256</u>
Public Works				
Engineering				30,995
Street Maintenance	405,756	1,811,138	55,367	923,718
Airport	4,399,281	3,811,486		400,345
Total Public Works	<u>4,805,037</u>	<u>5,622,624</u>	<u>55,367</u>	<u>1,355,058</u>
Culture and Recreation				
Library	244,940	2,730,730	7,253	530,300
Parks	1,652,046	2,158,098	1,267,567	1,207,858
Recreation	198,117	5,305,846	278,435	986,066
Total Culture and Recreation	<u>2,095,103</u>	<u>10,194,674</u>	<u>1,553,255</u>	<u>2,724,224</u>
Construction in Progress				
Subtotal	9,102,148	30,213,570	1,742,713	7,606,357
Internal Service Funds				11,881,004
Total governmental fund capital assets	<u>\$9,102,148</u>	<u>\$30,213,570</u>	<u>\$1,742,713</u>	<u>\$19,487,361</u>

<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
		\$9,763,078
		4,312,186
		<u>14,075,264</u>
		1,537,647
		4,609,438
		37,097
		<u>6,184,182</u>
		30,995
\$127,491,997		130,687,976
5,406,712		14,017,824
<u>132,898,709</u>		<u>144,736,795</u>
		3,513,223
712,422		6,997,991
408,899		7,177,363
<u>1,121,321</u>		<u>17,688,577</u>
	\$2,493,173	2,493,173
134,020,030	2,493,173	185,177,991
		11,881,004
<u>\$134,020,030</u>	<u>\$2,493,173</u>	<u>\$197,058,995</u>

CITY OF OWATONNA, MINNESOTA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the year ended December 31, 2023

	Beginning Balances	Additions	Deletions	Ending Balances
General Government				
Administrative Services	\$7,578,171	\$2,368,975	\$184,068	\$9,763,078
Government Buildings	4,312,186			4,312,186
Total General Government	<u>11,890,357</u>	<u>2,368,975</u>	<u>184,068</u>	<u>14,075,264</u>
Public Safety				
Police	1,415,573	122,074		1,537,647
Fire	4,480,327	129,111		4,609,438
Building Inspection	37,097			37,097
Total Public Safety	<u>5,932,997</u>	<u>251,185</u>		<u>6,184,182</u>
Public Works				
Engineering	30,995			30,995
Street Maintenance	128,821,285	1,866,691		130,687,976
Airport	14,080,663		62,839	14,017,824
Total Public Works	<u>142,932,943</u>	<u>1,866,691</u>	<u>62,839</u>	<u>144,736,795</u>
Culture and Recreation				
Library	3,486,477	26,746		3,513,223
Parks	6,829,482	175,165	6,656	6,997,991
Recreation	6,684,686	492,677		7,177,363
Total Culture & Recreation	<u>17,000,645</u>	<u>694,588</u>	<u>6,656</u>	<u>17,688,577</u>
Construction in Progress	<u>272,324</u>	<u>4,808,524</u>	<u>2,587,675</u>	<u>2,493,173</u>
Subtotal	178,029,266	9,989,963	2,841,238	185,177,991
Internal Service Funds	<u>11,494,553</u>	<u>1,003,186</u>	<u>616,735</u>	<u>11,881,004</u>
Total governmental fund capital assets	<u>\$189,523,819</u>	<u>\$10,993,149</u>	<u>\$3,457,973</u>	<u>\$197,058,995</u>

STATISTICAL SECTION

Statistical Section

This part of the City of Owatonna’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city’s overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	134-145
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	146-150
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	151-156
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	157-158
Operating Information These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the city provides and the activities it performs.	159-161

Source of data: Unless specifically noted, the information on the following tables is derived from the basic financial statements.

CITY OF OWATONNA, MINNESOTA
Net Position by Component
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Governmental activities				
Net investment in capital assets	\$88,990,330	\$87,004,737	\$82,080,996	\$79,875,698
Restricted	12,533,801	11,532,764	13,608,287	12,889,531
Unrestricted	<u>13,664,484</u>	<u>11,614,389</u>	<u>11,621,123</u>	<u>8,480,035</u>
Total governmental activities	<u>\$115,188,615</u>	<u>\$110,151,890</u>	<u>\$107,310,406</u>	<u>\$101,245,264</u>
Business-type activities				
Net investment in capital assets	\$131,497,179	\$131,356,887	\$113,783,109	\$104,622,010
Restricted				
Unrestricted	<u>53,550,881</u>	<u>34,851,658</u>	<u>44,110,948</u>	<u>45,964,958</u>
Total business-type activities	<u>\$185,048,060</u>	<u>\$166,208,545</u>	<u>\$157,894,057</u>	<u>\$150,586,968</u>
Primary government				
Net investment in capital assets	\$220,487,509	\$218,361,624	\$195,864,105	\$184,497,708
Restricted	12,533,801	11,532,764	13,608,287	12,889,531
Unrestricted	<u>67,215,365</u>	<u>46,466,047</u>	<u>55,372,071</u>	<u>54,444,993</u>
Total primary government net position	<u>\$300,236,675</u>	<u>\$276,360,435</u>	<u>\$265,204,463</u>	<u>\$251,832,232</u>

Note: In 2015 GASB 68 was implemented

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$80,190,115	\$79,004,771	\$81,046,952	\$80,110,407	\$75,953,125	\$75,256,663
11,740,372	12,129,868	10,837,315	10,411,098	11,942,498	12,177,716
7,743,706	6,752,131	6,993,466	7,877,023	9,427,621	15,929,892
<u>\$99,674,193</u>	<u>\$97,886,770</u>	<u>\$98,877,733</u>	<u>\$98,398,528</u>	<u>\$97,323,244</u>	<u>\$103,364,271</u>
\$98,084,910	\$92,586,465	\$90,321,448	\$88,935,574	\$90,824,949	\$86,780,807
					910,766
47,000,604	44,901,652	41,691,305	38,745,124	36,259,217	40,178,245
<u>\$145,085,514</u>	<u>\$137,488,117</u>	<u>\$132,012,753</u>	<u>\$127,680,698</u>	<u>\$127,084,166</u>	<u>\$127,869,818</u>
\$178,275,025	\$171,591,236	\$171,368,400	\$169,045,981	\$166,778,074	\$162,037,470
11,740,372	12,129,868	10,837,315	10,411,098	11,942,498	13,088,482
54,744,310	51,653,783	48,684,771	46,622,147	45,686,838	56,108,137
<u>\$244,759,707</u>	<u>\$235,374,887</u>	<u>\$230,890,486</u>	<u>\$226,079,226</u>	<u>\$224,407,410</u>	<u>\$231,234,089</u>

CITY OF OWATONNA, MINNESOTA
Changes in Net Position
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$265,559	\$250,752	\$323,466	\$396,420
Public safety	1,202,958	974,940	917,428	1,033,653
Public works	853,428	668,318	375,986	478,469
Culture and recreation	1,680,204	1,499,556	1,213,757	754,448
Other activities	37,525	21,990	19,440	39,313
Operating grants & contributions	1,773,246	1,708,928	1,722,034	2,519,643
Capital grants & contributions	5,535,505	2,148,119	7,330,068	1,640,688
Total governmental activities	<u>11,348,425</u>	<u>7,272,603</u>	<u>11,902,179</u>	<u>6,862,634</u>
Business-type activities:				
Charges for services:				
Sewer	5,288,154	4,453,045	4,150,093	3,894,053
Storm water	1,405,876	1,420,412	1,307,822	1,208,514
Electric	47,761,260	43,670,362	43,340,773	40,916,882
Water	4,954,756	4,650,426	4,721,999	4,465,627
Gas	15,618,966	19,437,918	22,942,554	12,316,516
Aquatic center				
Operating grants and contributions				
Capital grants and contributions	12,035,310	48,555		
Total business-type activities	<u>87,064,322</u>	<u>73,680,718</u>	<u>76,463,241</u>	<u>62,801,592</u>
Total primary government	<u>98,412,747</u>	<u>\$80,953,321</u>	<u>\$88,365,420</u>	<u>\$69,664,226</u>
Expenses				
Governmental activities:				
General government	\$4,723,170	\$4,066,030	\$3,475,539	\$4,318,885
Public safety	10,010,175	8,945,032	6,838,715	7,595,141
Public works	7,611,725	5,314,296	7,732,201	7,367,252
Culture and recreation	7,073,746	5,880,158	4,975,493	4,474,475
Other activities	2,769,617	2,594,838	1,522,053	2,077,187
Interest on long-term debt	282,711	10,280	395,235	351,113
Total governmental activities	<u>32,471,144</u>	<u>26,810,634</u>	<u>24,939,236</u>	<u>26,184,053</u>
Business-type activities:				
Sewer	3,342,876	1,866,594	2,446,611	2,732,848
Storm water	663,660	281,138	590,887	685,583
Electric	45,398,423	40,964,869	40,046,387	39,131,242
Water	4,272,697	3,729,354	3,617,865	3,366,652
Gas	16,340,891	18,304,396	22,224,734	11,799,218
Aquatic center				
Total business-type activities	<u>70,018,547</u>	<u>65,146,351</u>	<u>68,926,484</u>	<u>57,715,543</u>
Total primary government	<u>\$102,489,691</u>	<u>\$91,956,985</u>	<u>\$93,865,720</u>	<u>\$83,899,596</u>

Note: The Aquatic center was transferred from a business-type activity to a governmental activity in 2016.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$453,359	\$348,509	\$321,021	\$354,171	\$325,810	\$353,387
852,832	833,619	778,822	821,115	646,479	704,699
555,541	543,571	673,815	658,045	583,402	433,409
1,359,896	1,356,050	1,321,495	1,308,683	1,167,819	1,147,686
18,045	21,072	19,208	19,528	9,640	13,121
1,719,641	1,493,152	1,562,720	1,499,973	1,411,675	1,692,420
2,853,965	1,262,057	3,749,360	1,985,442	3,351,342	2,596,415
<u>7,813,279</u>	<u>5,858,030</u>	<u>8,426,441</u>	<u>6,646,957</u>	<u>7,496,167</u>	<u>6,941,137</u>
3,755,393	3,675,717	3,416,993	3,322,407	3,106,003	2,995,373
1,212,090	1,068,692	923,459	784,774	397,464	399,983
41,517,739	40,814,286	39,025,342	38,219,579	35,805,919	35,756,468
4,142,576	4,169,129	3,948,324	3,804,917	3,489,771	3,433,348
13,946,020	14,762,244	14,019,597	13,266,847	13,795,668	21,471,393
	5,000			195,018	174,787
236,174	9,262	135,032	188,135	50,000	25,688
<u>64,809,992</u>	<u>64,504,330</u>	<u>61,468,747</u>	<u>59,586,659</u>	<u>56,839,843</u>	<u>64,257,040</u>
<u>\$72,623,271</u>	<u>\$70,362,360</u>	<u>\$69,895,188</u>	<u>\$66,233,616</u>	<u>\$64,336,010</u>	<u>\$71,198,177</u>
\$3,461,354	\$3,205,461	\$3,243,404	\$3,099,636	\$2,856,561	\$2,680,256
7,349,429	6,812,922	7,652,397	8,377,228	6,348,914	6,310,828
7,834,535	7,474,091	7,072,006	6,691,503	7,270,857	6,925,355
5,202,377	5,165,302	5,201,248	5,040,588	4,652,758	4,279,720
1,156,663	1,111,126	791,706	1,063,892	747,447	570,317
404,670	335,781	234,573	287,028	288,678	300,765
<u>25,409,028</u>	<u>24,104,683</u>	<u>24,195,334</u>	<u>24,559,875</u>	<u>22,165,215</u>	<u>21,067,241</u>
2,868,854	2,798,229	2,847,495	3,006,694	2,492,185	2,452,577
780,772	660,873	591,835	682,131	516,915	508,608
38,886,514	39,303,834	37,610,225	37,738,830	34,612,064	34,319,736
3,244,405	3,420,096	3,250,860	3,046,878	3,159,786	2,734,692
12,898,582	13,740,097	13,730,892	11,789,863	13,066,535	20,613,979
				291,201	249,672
<u>58,679,127</u>	<u>59,923,129</u>	<u>58,031,307</u>	<u>56,264,396</u>	<u>54,138,686</u>	<u>60,879,264</u>
<u>\$84,088,155</u>	<u>\$84,027,812</u>	<u>\$82,226,641</u>	<u>\$80,824,271</u>	<u>\$76,303,901</u>	<u>\$81,946,505</u>

CITY OF OWATONNA, MINNESOTA
Changes in Net Position - Continued
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net (Expense)/Revenue				
Governmental activities	\$(21,122,719)	\$(19,538,031)	\$(13,037,057)	\$(19,321,419)
Business-type activities	17,045,775	8,534,367	7,536,757	5,086,049
Total primary government	<u>\$(4,076,944)</u>	<u>\$(11,003,664)</u>	<u>\$(5,500,300)</u>	<u>\$(14,235,370)</u>
General Revenues and Other				
Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes, (general purposes)	\$17,237,963	\$15,751,725	\$13,487,199	\$12,860,742
Property taxes, (debt service)	1,535,227	1,523,313	1,261,710	1,343,083
Sales & excise tax				
Franchise tax	325,724	339,926	335,187	343,202
Lodging tax				
Unrestricted grants and contributions	4,961,379	4,783,290	4,791,022	5,351,753
Investment earnings	1,412,326	(671,469)	(41,936)	387,414
Other				
Transfers	686,825	652,730	(730,983)	606,296
Total governmental activities	<u>26,159,444</u>	<u>22,379,515</u>	<u>19,102,199</u>	<u>20,892,490</u>
Business-type activities:				
Property taxes, (debt service)	320,249	311,853	317,938	312,070
Lease revenues	243,915	299,549		
Unrestricted grants and contributions				
Investment earnings	1,853,795	(291,116)	265,166	698,614
Other	62,606	63,548	(1,543,755)	11,017
Transfers	(686,825)	(652,730)	730,983	(606,296)
Total business-type activities	<u>1,793,740</u>	<u>(268,896)</u>	<u>(229,668)</u>	<u>415,405</u>
Total primary government	<u>\$27,953,184</u>	<u>\$22,110,619</u>	<u>\$18,872,531</u>	<u>\$21,307,895</u>
Change in Net Position				
Governmental activities	\$5,036,725	\$2,841,484	\$6,065,142	\$1,571,071
Business-type activities	18,839,515	8,265,471	7,307,089	5,501,454
Total primary government	<u>\$23,876,240</u>	<u>\$11,106,955</u>	<u>\$13,372,231</u>	<u>\$7,072,525</u>

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$(17,595,749)	\$(18,246,653)	\$(15,768,893)	\$(17,912,918)	\$(14,669,048)	\$(14,126,104)
6,130,865	4,581,201	3,437,440	3,322,263	2,701,157	3,377,776
<u>\$(11,464,884)</u>	<u>\$(13,665,452)</u>	<u>\$(12,331,453)</u>	<u>\$(14,590,655)</u>	<u>\$(11,967,891)</u>	<u>\$(10,748,328)</u>
\$12,229,960	\$11,810,733	\$10,407,798	\$9,864,056	\$9,148,313	\$8,620,566
1,353,663	1,018,307	991,067	1,134,938	1,150,319	1,096,471
352,715	353,476	348,769	346,777	339,322	342,607
4,364,245	4,387,352	4,341,397	4,201,348	4,103,313	4,253,144
652,930	440,334	240,752	134,961	190,031	511,958
429,659	48,162	(81,685)	3,306,122	90,441	195,095
<u>19,383,172</u>	<u>18,058,364</u>	<u>16,248,098</u>	<u>18,988,202</u>	<u>15,021,739</u>	<u>14,770,416</u>
312,938	314,930	322,411	247,970	248,410	251,775
1,074,075	678,629	490,519	332,421	284,548	485,348
509,178					
(429,659)	(48,162)	81,685	(3,306,122)	(90,441)	249,425
<u>1,466,532</u>	<u>945,397</u>	<u>894,615</u>	<u>(2,725,731)</u>	<u>442,517</u>	<u>986,548</u>
<u>\$20,849,704</u>	<u>\$19,003,761</u>	<u>\$17,142,713</u>	<u>\$16,262,471</u>	<u>\$15,464,256</u>	<u>\$15,756,964</u>
\$1,787,423	\$(188,289)	\$479,205	\$1,075,284	\$352,691	\$644,312
7,597,397	5,526,598	4,332,055	596,532	3,143,674	4,364,324
<u>\$9,384,820</u>	<u>\$5,338,309</u>	<u>\$4,811,260</u>	<u>\$1,671,816</u>	<u>\$3,496,365</u>	<u>\$5,008,636</u>

CITY OF OWATONNA, MINNESOTA
Fund Balance – Governmental Funds
 Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Fund				
Nonspendable	\$178,534	\$222,991	\$177,009	\$153,417
Restricted	57,931	44,872	46,797	46,608
Assigned	2,914,999	2,869,345	3,004,811	3,119,384
Unassigned	10,873,932	9,315,113	8,922,998	8,544,022
Total general fund	<u>14,025,396</u>	<u>12,452,321</u>	<u>12,151,615</u>	<u>11,863,431</u>
All Other Governmental Funds				
Nonspendable				
Restricted	9,445,196	8,629,388	10,388,117	8,788,419
Committed	1,761,998	1,440,278	1,226,804	1,408,436
Assigned	6,286,496	5,832,896	6,563,115	6,115,477
Unassigned	(770,994)	(834,857)	(892,801)	(911,539)
Total all other governmental funds	<u>16,722,696</u>	<u>15,067,705</u>	<u>17,285,235</u>	<u>15,400,793</u>
Total governmental funds	<u>\$30,748,092</u>	<u>\$27,520,026</u>	<u>\$29,436,850</u>	<u>\$27,264,224</u>

2019	2018	2017	2016	2015	2014
\$160,637	\$169,421	\$169,529	\$200,044	\$283,764	\$224,489
45,912	44,943	44,198	43,717	43,432	43,058
2,980,474	3,084,017	2,216,436	2,066,020	2,050,503	1,912,882
8,166,473	7,665,558	8,245,075	8,088,843	8,075,845	7,851,566
<u>11,353,496</u>	<u>10,963,939</u>	<u>10,675,238</u>	<u>10,398,624</u>	<u>10,453,544</u>	<u>10,031,995</u>
					74,064
7,921,803	8,476,883	7,199,761	7,282,461	9,414,768	8,953,592
768,512	1,112,446	1,036,672	1,114,534	1,114,534	1,528,371
6,064,409	6,072,226	5,438,542	5,240,474	3,905,230	4,360,834
(131,923)	(157,552)	(189,851)	(239,266)	(216,589)	(219,861)
<u>14,622,801</u>	<u>15,504,003</u>	<u>13,485,124</u>	<u>13,398,203</u>	<u>14,217,943</u>	<u>14,697,000</u>
<u>\$25,976,297</u>	<u>\$26,467,942</u>	<u>\$24,160,362</u>	<u>\$23,796,827</u>	<u>\$24,671,487</u>	<u>\$24,728,995</u>

CITY OF OWATONNA, MINNESOTA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues				
Taxes	\$19,237,664	\$17,559,007	\$15,054,201	\$14,460,256
Licenses and permits	619,896	505,746	407,850	570,608
Intergovernmental revenue	11,133,906	7,856,534	12,626,913	8,749,452
Charges for service	2,494,117	2,071,232	1,770,835	1,415,474
Fines and forfeits	136,186	132,961	146,250	137,314
Special assessments	607,426	689,091	708,911	812,614
Interest on investments	1,412,326	(671,469)	(41,936)	387,414
Miscellaneous	928,846	780,522	1,092,385	660,574
Total revenues	<u>36,570,367</u>	<u>28,923,624</u>	<u>31,765,409</u>	<u>27,193,706</u>
Expenditures				
Current operating				
General government	3,818,530	3,531,567	3,182,519	3,868,465
Public safety	8,939,081	8,471,517	7,876,675	7,724,843
Public works	5,041,684	4,756,639	4,414,957	4,378,073
Culture and recreation	5,490,235	5,143,282	4,682,111	4,090,156
Housing & economic development	2,746,648	2,567,050	1,424,670	2,060,099
Miscellaneous	342,110	528,805	243,320	129,243
Capital outlay	7,702,522	4,321,367	9,713,725	3,942,857
Debt service:				
Principal retired	2,111,676	1,690,000	1,750,000	1,625,000
Interest and service charges	484,128	482,951	521,013	486,867
Payment to refunding escrow agent				
Total all other governmental funds	<u>36,676,614</u>	<u>31,493,178</u>	<u>33,808,990</u>	<u>28,305,603</u>
Excess of revenues over (under) expenditures	<u>(106,247)</u>	<u>(2,569,554)</u>	<u>(2,043,581)</u>	<u>(1,111,897)</u>
Other finance sources (uses)				
SBITA proceeds	53,225			
Bond issuance	2,440,000		3,250,000	1,545,000
Premium (Discount) on bonds	154,263		342,857	227,124
Other				
Sale of capital assets				
Transfers out	(883,520)	(349,690)	(487,850)	(1,350,920)
Transfers in	1,570,345	1,002,420	1,111,200	1,978,620
Total other financing sources (uses)	<u>3,334,313</u>	<u>652,730</u>	<u>4,216,207</u>	<u>2,399,824</u>
Net change in fund balance	<u>\$3,228,066</u>	<u>\$(1,916,824)</u>	<u>\$2,172,626</u>	<u>\$1,287,927</u>
Debt service as a percentage of noncapital expenditures	8.18%	7.92%	8.79%	8.68%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$13,926,612	\$13,230,823	\$11,762,834	\$11,315,685	\$10,658,545	\$10,089,188
422,036	449,857	445,702	428,138	292,628	349,311
7,048,268	6,599,704	8,199,031	6,869,605	7,290,973	7,755,657
2,128,600	2,042,584	2,122,977	2,132,546	1,857,471	1,704,610
160,072	156,847	157,683	142,447	157,719	172,951
829,705	677,503	839,631	936,065	1,137,312	1,099,194
652,930	440,334	240,752	134,961	190,031	511,958
925,334	514,841	624,897	621,632	1,452,189	853,621
<u>26,093,557</u>	<u>24,112,493</u>	<u>24,393,507</u>	<u>22,581,079</u>	<u>23,036,868</u>	<u>22,536,490</u>
3,074,250	2,902,381	2,815,113	2,674,639	2,528,782	2,338,333
7,390,178	6,909,832	6,841,352	6,605,121	6,200,216	6,094,080
4,525,795	4,345,785	4,031,989	3,850,262	3,681,956	3,444,217
4,737,918	4,659,725	4,634,202	4,495,841	4,035,671	3,796,924
1,149,628	1,093,759	773,449	1,028,038	734,410	462,086
146,218	83,457	100,110	146,547	127,580	294,163
6,651,508	5,990,656	5,632,005	3,613,361	5,905,097	4,615,949
1,250,000	1,335,000	1,615,000	1,765,000	1,890,000	1,845,000
468,986	297,878	257,834	330,154	293,620	313,028
			810,000		
<u>29,394,481</u>	<u>27,618,473</u>	<u>26,701,054</u>	<u>25,318,963</u>	<u>25,397,332</u>	<u>23,203,780</u>
<u>(3,300,924)</u>	<u>(3,505,980)</u>	<u>(2,307,547)</u>	<u>(2,737,884)</u>	<u>(2,360,464)</u>	<u>(667,290)</u>
1,860,000	4,825,000	2,015,000	1,300,000	1,685,000	1,135,000
357,779	402,560	108,582	99,109	98,893	32,211
				110,979	
				5,584	215,518
(148,300)	(170,920)	(148,190)	(658,975)	(128,000)	(564,000)
739,800	756,920	695,690	1,123,090	530,500	929,000
<u>2,809,279</u>	<u>5,813,560</u>	<u>2,671,082</u>	<u>1,863,224</u>	<u>2,302,956</u>	<u>1,747,729</u>
<u>\$(491,645)</u>	<u>\$2,307,580</u>	<u>\$363,535</u>	<u>\$(874,660)</u>	<u>\$(57,508)</u>	<u>\$1,080,439</u>
7.46%	7.30%	8.63%	13.18%	10.55%	10.84%

CITY OF OWATONNA, MINNESOTA
Program Revenues and Expenses by Function
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$265,559	\$250,752	\$323,466	\$396,420
Public safety	1,202,958	974,940	917,428	1,033,653
Public works	853,428	668,318	375,986	478,469
Culture and recreation	1,680,204	1,499,556	1,213,757	754,448
Other activities	37,525	21,990	19,440	39,313
Operating grants & contributions	1,773,246	1,708,928	1,722,034	2,519,643
Capital grants & contributions	5,535,505	2,148,119	7,330,068	1,640,688
Total governmental activities	<u>11,348,425</u>	<u>7,272,603</u>	<u>11,902,179</u>	<u>6,862,634</u>
Business-type activities:				
Charges for services:				
Sewer	5,288,154	4,453,045	4,150,093	3,894,053
Storm water	1,405,876	1,420,412	1,307,822	1,208,514
Electric	47,761,260	43,670,362	43,340,773	40,916,882
Water	4,954,756	4,650,426	4,721,999	4,465,627
Gas	15,618,966	19,437,918	22,942,554	12,316,516
Aquatic center				
Operating grants and contributions				
Capital grants and contributions	12,035,310	48,555		
Total business-type activities	<u>87,064,322</u>	<u>73,680,718</u>	<u>76,463,241</u>	<u>62,801,592</u>
Total primary government	<u>\$98,412,747</u>	<u>\$80,953,321</u>	<u>\$88,365,420</u>	<u>\$69,664,226</u>
Expenses				
Governmental activities:				
General government	\$4,723,170	\$4,066,030	\$3,475,539	\$4,318,885
Public safety	10,010,175	8,945,032	6,838,715	7,595,141
Public works	7,611,725	5,314,296	7,732,201	7,367,252
Culture and recreation	7,073,746	5,880,158	4,975,493	4,474,475
Other activities	2,769,617	2,594,838	1,522,053	2,077,187
Interest on long-term debt	282,711	10,280	395,235	351,113
Total governmental activities	<u>32,471,144</u>	<u>26,810,634</u>	<u>24,939,236</u>	<u>26,184,053</u>
Business-type activities:				
Sewer	3,342,876	1,866,594	2,446,611	2,732,848
Storm water	663,660	281,138	590,887	685,583
Electric	45,398,423	40,964,869	40,046,387	39,131,242
Water	4,272,697	3,729,354	3,617,865	3,366,652
Gas	16,340,891	18,304,396	22,224,734	11,799,218
Aquatic center				
Housing and economic development				
Total business-type activities	<u>70,018,547</u>	<u>65,146,351</u>	<u>68,926,484</u>	<u>57,715,543</u>
Total primary government	<u>\$102,489,691</u>	<u>\$91,956,985</u>	<u>\$93,865,720</u>	<u>\$83,899,596</u>

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$453,359	\$348,509	\$321,021	\$354,171	\$325,810	\$353,387
852,832	833,619	778,822	821,115	646,479	704,699
555,541	543,571	673,815	658,045	583,402	433,409
1,359,896	1,356,050	1,321,495	1,308,683	1,167,819	1,147,686
18,045	21,072	19,208	19,528	9,640	13,121
1,719,641	1,493,152	1,562,720	1,499,973	1,411,675	1,692,420
2,853,965	1,262,057	3,749,360	1,985,442	3,351,342	2,596,415
<u>7,813,279</u>	<u>5,858,030</u>	<u>8,426,441</u>	<u>6,646,957</u>	<u>7,496,167</u>	<u>6,941,137</u>
3,755,393	3,675,717	3,416,993	3,322,407	3,106,003	2,995,373
1,212,090	1,068,692	923,459	784,774	397,464	399,983
41,517,739	40,814,286	39,025,342	38,219,579	35,805,919	35,756,468
4,142,576	4,169,129	3,948,324	3,804,917	3,489,771	3,433,348
13,946,020	14,762,244	14,019,597	13,266,847	13,795,668	21,471,393
	5,000			195,018	174,787
236,174	9,262	135,032	188,135	50,000	25,688
<u>64,809,992</u>	<u>64,504,330</u>	<u>61,468,747</u>	<u>59,586,659</u>	<u>56,839,843</u>	<u>64,257,040</u>
<u>\$72,623,271</u>	<u>\$70,362,360</u>	<u>\$69,895,188</u>	<u>\$66,233,616</u>	<u>\$64,336,010</u>	<u>\$71,198,177</u>
\$3,461,354	\$3,205,461	\$3,243,404	\$3,099,636	\$2,856,561	\$2,680,256
7,349,429	6,812,922	7,652,397	8,377,228	6,348,914	6,310,828
7,834,535	7,474,091	7,072,006	6,691,503	7,270,857	6,925,355
5,202,377	5,165,302	5,201,248	5,040,588	4,652,758	4,279,720
1,156,663	1,111,126	791,706	1,063,892	747,447	570,317
404,670	335,781	234,573	287,028	288,678	300,765
<u>25,409,028</u>	<u>24,104,683</u>	<u>24,195,334</u>	<u>24,559,875</u>	<u>22,165,215</u>	<u>21,067,241</u>
2,868,854	2,798,229	2,847,495	3,006,694	2,492,185	2,452,577
780,772	660,873	591,835	682,131	516,915	508,608
38,886,514	39,303,834	37,610,225	37,738,830	34,612,064	34,319,736
3,244,405	3,420,096	3,250,860	3,046,878	3,159,786	2,734,692
12,898,582	13,740,097	13,730,892	11,789,863	13,066,535	20,613,979
				291,201	249,672
<u>58,679,127</u>	<u>59,923,129</u>	<u>58,031,307</u>	<u>56,264,396</u>	<u>54,138,686</u>	<u>60,879,264</u>
<u>\$84,088,155</u>	<u>\$84,027,812</u>	<u>\$82,226,641</u>	<u>\$80,824,271</u>	<u>\$76,303,901</u>	<u>\$81,946,505</u>

CITY OF OWATONNA, MINNESOTA
General Governmental Tax Revenues by Source
 Last Ten Fiscal Years

Fiscal Year	Property Taxes	Franchise Fees	Sales/Excise Tax ¹	Other Taxes	Total Taxes
2023	\$16,342,132	\$325,724		\$2,569,808	\$19,237,664
2022	14,770,074	339,926		2,449,007	17,559,007
2021	13,491,078	335,187		1,227,936	15,054,201
2020	13,004,013	343,202		1,113,041	14,460,256
2019	12,528,554	352,938		1,045,120	13,926,612
2018	11,819,570	353,476		1,009,470	13,182,516
2017	10,708,918	348,769	\$17,189	672,758	11,747,634
2016	10,235,502	346,777		763,492	11,345,771
2015	9,761,650	339,322		536,982	10,637,954
2014	9,395,859	342,607		321,178	10,059,644

Sources of Data: Includes general fund, special revenue funds, capital project funds and debt service fund

¹ Special Legislation authorized a local option sales tax and excise tax beginning April 1, 2007. This tax was terminated by council resolution on June 30, 2011. The City received an additional payment for subsequent year's collections of delinquent sales tax in 2017.

CITY OF OWATONNA, MINNESOTA
Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year	Total Net Tax Levy	Collected in the Year of the Levy		Collections In Subsequent Years	Total Collections To Date	
		Current Tax Collections	Percent of Levy		Amount	Percent of Levy
2023	\$16,670,310	\$16,533,550	99.18%	\$63,888	\$16,597,438	99.56%
2022	15,298,219	15,173,709	99.19%	22,826	15,196,535	99.34%
2021	13,949,440	13,787,642	98.84%	95,524	13,883,166	99.52%
2020	13,554,811	13,415,879	98.98%	63,210	13,479,089	99.44%
2019	12,984,770	12,929,906	99.58%	54,864	12,984,770	100.00%
2018	12,271,685	12,184,513	99.29%	68,411	12,252,924	99.85%
2017	11,200,666	11,121,534	99.29%	69,889	11,191,423	99.92%
2016	10,620,130	10,510,986	98.97%	109,144	10,620,130	100.00%
2015	10,140,627	10,062,832	99.23%	65,521	10,128,353	99.88%
2014	9,739,414	9,648,527	99.07%	81,710	9,730,237	99.90%

Source of Data: Includes general fund and debt service funds

CITY OF OWATONNA, MINNESOTA
Tax Capacity and Estimated Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total		Ratio of Tax Capacity to Estimated Market Value	Total Direct Tax Rate
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
2023	\$31,202,756	\$2,734,636,900	\$112,183	\$6,656,600	\$31,314,939	\$2,741,293,500	.0114:1	57.305
2022	26,475,574	2,326,632,500	104,900	6,199,400	26,580,474	2,332,831,900	.0114:1	62.098
2021	24,525,106	2,177,751,400	105,207	6,242,800	24,630,313	2,183,994,200	.0113:1	59.530
2020	22,631,009	2,026,039,800	110,369	6,469,300	22,741,378	2,032,509,100	.0112:1	62.672
2019	21,449,846	1,919,362,500	83,851	5,180,000	21,553,697	1,924,542,500	.0112:1	63.283
2018	20,178,290	1,819,179,300	89,005	5,472,300	20,267,295	1,824,651,600	.0111:1	63.768
2017	18,836,226	1,714,832,600	89,226	5,462,900	18,925,452	1,720,295,500	.0110:1	61.513
2016	18,269,331	1,669,155,800	91,010	5,494,500	18,360,341	1,674,650,300	.0110:1	60.653
2015	17,584,660	1,622,202,000	93,925	5,677,800	17,678,585	1,627,879,800	.0109:1	58.102
2014	16,865,181	1,575,917,700	96,222	5,796,800	16,961,403	1,581,714,500	.0107:1	59.018

Source: Steele County Auditor & Steele County Assessor

CITY OF OWATONNA, MINNESOTA
Property Tax Rates and Tax Levies – Direct and Overlapping Governments
 Last Ten Fiscal Years

Year	Direct				Direct Total	Overlapping		Over-Lapping Total	Direct & Over-Lapping Total
	General	Debt Service	Capital Improve-Ment	Other		School District	County		
2023	47.347	6.238	2.395	1.325	57.305	29.880	50.055	79.935	137.240
2022	50.375	7.376	2.822	1.525	62.098	34.674	56.467	91.141	153.239
2021	48.790	6.658	3.303	.779	59.530	37.859	57.758	95.617	155.147
2020	51.025	7.581	3.221	.845	62.672	24.747	60.617	85.364	148.036
2019	51.069	8.006	3.366	.842	63.283	27.650	60.667	88.317	151.600
2018	50.637	6.801	5.480	.850	63.768	30.078	61.627	91.705	155.473
2017	51.376	7.122	2.172	.842	61.513	30.708	59.890	90.598	152.111
2016	50.294	7.811	1.727	.821	60.653	31.493	60.393	91.886	152.539
2015	46.627	7.887	1.993	1.595	58.102	16.662	59.533	76.195	134.297
2014	47.019	8.032	2.404	1.563	59.018	17.954	59.246	77.200	136.218

Note: Tax rates are per \$1,000 of tax capacity. Tax capacity is equal to market value multiplied by the applicable class rate for the type of property that is being taxed.

Source: Steele County Auditor and Steele County Assessor

CITY OF OWATONNA, MINNESOTA
Principal Property Taxpayers
 Current Year and Ten Years Ago

Taxpayer	Business type	2023			2013		
		Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
Viracon, Inc	Glass Products	\$554,724	1	2.09%	\$239,508	2	1.46%
Costco Wholesale Corp	Industrial	532,388	2	2.00%			
Bosch	Manufacturing	389,822	3	1.47%			
Federated Mutual Insurance	Insurance	323,608	4	1.22%	245,832	1	1.49%
Daikin, Inc.	Manufacturing	298,604	5	1.12%			
Cybex	Manufacturing	295,188	6	1.11%	110,706	7	.67%
SMMPA	Utility	233,016	7	.88%			
Cheney Owatonna LLC	Apartments	189,278	8	.71%			
Cabela's Retail	Retail	180,778	9	.68%	173,320	3	1.05%
Lemond Acquisitions	Industrial	172,452	10	.65%			
Owatonna Clinic – Mayo	Health System				151,310	5	.92%
Mills Properties	Retail				163,253	4	.99%
Wenger Corp (JAS)	Musical Equip				119,896	6	.73%
Wal-Mart	Retail				109,378	8	.66%
Lowe's Home Centers	Retail				105,236	10	.65%
Lakeside Foods	Manufacturing				107,460	9	.65%
		<u>\$3,169,858</u>		<u>11.93%</u>	<u>\$1,525,899</u>		<u>9.27%</u>

Source: Steele County Assessor
 Ranking based on tax capacity

CITY OF OWATONNA, MINNESOTA
Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage Of Personal Income*	Per Capita*
	General Obligation Bonds	G.O. Improvement Bonds	Other Bonds ²	SBITAs	Capital Leases	Revenue Bonds	G.O. Revenue Bonds			
2023	\$10,442,283	\$3,685,941	\$140,000	\$505,634	\$0	\$0	\$26,355,754	\$41,129,612	N/A	N/A
2022	8,881,889	4,624,886	275,000	0	0	0	4,134,809	17,916,584	1.18%	\$650.47
2021	9,769,360	5,749,772	405,000	0	0	0	5,192,105	21,116,237	1.44%	792.44
2020	6,824,172	6,856,752	535,000	0	0	0	6,182,520	20,398,444	1.53%	772.08
2019	5,827,304	7,699,204	660,000	0	23,607	0	7,150,936	21,361,051	1.67%	811.78
2018	6,232,560	6,283,099	785,000	0	46,488	0	8,101,351	21,448,498	1.73%	822.19
2017	1,345,000	7,202,352	905,000	0	68,664	0	9,043,767	18,564,783	1.64%	716.18
2016	1,635,000	6,317,016	1,025,000	0	90,157	0	9,594,183	18,661,356	1.66%	721.57
2015	1,735,000	7,304,657	1,140,000	0	110,979	0	7,897,209	18,187,845	1.65%	705.45
2014	1,465,000	7,695,348	1,140,000	0	16,261	885,000	8,629,369	19,830,978	1.83%	772.83

*Personal income and population data can be found in the demographic statistics on page 157.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements

² Other Bonds consisted of TIF bonds in 2014-2023.

CITY OF OWATONNA, MINNESOTA
Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Tax Capacity	Net Bonded Debt per Capita
2023	\$10,442,283	\$1,467,007	\$8,975,276	.2866:1	N/A
2022	8,881,889	1,244,384	7,637,505	.2873:1	\$277.28
2021	9,769,360	931,088	8,838,272	.3604:1	331.68
2020	6,824,172	894,229	5,929,943	.2608:1	224.45
2019	5,827,304	985,979	4,841,325	.2246:1	183.98
2018	6,232,560	524,364	5,708,196	.2816:1	218.81
2017	1,345,000	457,935	887,065	.0469:1	34.22
2016	1,635,000	535,675	1,099,325	.0599:1	42.51
2015	1,735,000	397,239	1,337,761	.0757:1	51.89
2014	1,465,000	208,537	1,256,463	.0741:1	48.97

CITY OF OWATONNA, MINNESOTA
Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Debt Limit	\$82,239	\$69,985	\$65,520	\$60,975	\$57,736	\$54,740	\$51,609	\$50,240	\$48,836	\$47,451
Total net debt applicable to limit	8,975	7,638	8,838	5,930	5,041	5,709	887	1,099	1,333	1,256
Legal debt margin	73,264	62,347	56,682	55,045	52,695	49,031	50,722	49,141	47,503	46,195
Total net debt applicable to the limit as a % of debt limit	12.25%	12.25%	13.49%	9.73%	8.38%	10.43%	1.72%	2.19%	2.73%	2.65%

Legal Debt Margin Calculation for Current Fiscal Year

Market Value of Taxable Property	\$2,741,293
Debt limit (3% of market value)	82,239
Debt applicable to limit:	
General obligation bonds	10,442
Less: Amount set aside for repayment of general obligation debt	1,467
Total net debt applicable to limit	<u>8,975</u>
Legal debt margin	<u><u>\$73,264</u></u>

The legal debt limit for municipalities in Minnesota is 3% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes improvement, revenue, and tax increment bonds.

CITY OF OWATONNA, MINNESOTA
Computation of Direct and Overlapping Debt
End of Fiscal Year 2023

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Owatonna	City of Owatonna's Share of Debt
Direct:			
City of Owatonna	\$14,268,224	100.00%	\$14,268,224
Overlapping:			
School District	158,825,000	70.7%	112,289,275
Steele County	6,580,000	53.0%	3,487,400
Total overlapping debt			<u>115,776,675</u>
Total direct and overlapping debt			<u>\$130,044,899</u>

Source: Steele County Auditor

Note: The overlap is based on tax capacity. It equals the percentage of tax capacity that falls within the City.

CITY OF OWATONNA, MINNESOTA
Schedule of (OPU) Revenue Bond Coverage
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2023	\$69,336,834	\$62,208,317	\$7,128,517	\$0	\$0	\$0	N/A
2022	67,958,566	59,591,293	8,367,273	0	0	0	N/A
2021	71,279,012	62,775,817	8,503,195	0	0	0	N/A
2020	58,079,537	51,434,393	6,645,144	0	0	0	N/A
2019	60,162,494	52,115,067	8,047,427	0	0	0	N/A
2018	60,113,090	53,285,399	6,827,691	0	0	0	N/A
2017	56,993,263	51,408,993	5,584,270	0	0	0	N/A
2016	55,506,821	49,306,287	6,200,534	0	0	0	N/A
2015	53,231,414	47,800,366	5,431,048	885,000	44,251	929,251	5.84
2014	60,769,422	54,868,584	5,900,838	830,000	85,750	915,750	6.44

Gross revenues include all revenues from operations and interest.
 Operating expense includes the cost of operations excluding depreciation expense.

CITY OF OWATONNA, MINNESOTA
Schedule of Storm Water Fund Bond Coverage
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2023	\$1,914,362	\$269,894	\$1,644,468	\$435,000	\$51,863	\$486,863	3.38
2022	1,732,265	286,750	1,445,515	430,000	64,838	494,838	2.92
2021	1,625,760	197,581	1,428,179	410,000	77,438	487,438	2.93
2020	1,563,716	328,388	1,235,328	395,000	89,512	484,512	2.55
2019	1,277,473	412,094	865,379	385,000	101,210	486,210	1.78
2018	1,105,181	291,921	813,260	385,000	112,763	497,763	1.63
2017	1,245,870	229,467	1,016,403	0	61,244	61,244	16.60
2016	1,042,846	198,549	844,297	230,000	95,143	325,143	2.60
2015	653,918	229,302	424,616	225,000	103,674	328,674	1.29
2014	675,404	220,108	455,296	220,000	112,018	332,018	1.37

Gross revenues include all revenues from operations, debt service levy and interest.
 Operating expense includes the cost of operations excluding depreciation expense.

CITY OF OWATONNA, MINNESOTA
Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income ³	School Enrollment ⁴	Average Annual Unemployment Rate ⁵
2023	N/A	N/A	N/A	4,947	3.0%
2022	27,544	\$1,511,118,928	\$54,862	5,010	3.1%
2021	26,647	1,470,274,872	55,176	5,019	3.5%
2020	26,420	1,365,993,260	51,703	5,067	4.8%
2019	26,314	1,278,334,120	48,580	5,100	3.2%
2018	26,087	1,241,845,548	47,604	5,060	2.9%
2017	25,922	1,128,877,178	43,549	5,075	3.4%
2016	25,862	1,124,221,140	43,470	5,048	3.6%
2015	25,782	1,101,200,784	42,712	4,985	3.4%
2014	25,660	1,086,239,120	42,332	4,990	3.8%

¹ State demographer estimate. 2020 Census

² Estimation; Calculated (population multiplied by per capita personal income)

³ Bureau of Economic Analysis; <http://www.bea.gov/regional/reis/> (Steele County)

⁴ Owatonna School District #761 – regular average daily membership

⁵ MN Department of Employment and Economic Development

N/A: Data was not available for this year

CITY OF OWATONNA, MINNESOTA
Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>Business type</u>	2023			2013		
		<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Federated Mutual Insurance	Insurance	1,450	1	8.81%	1,520	1	8.47%
Viracon, Inc.	Glass products	1,162	2	8.70%	1,440	2	8.03%
Owatonna ISD# 761	Education	777	3	4.81%	690	3	3.85%
Josten's Inc.	Recognition products	300	9	3.02%	430	7	2.40%
Daikin	HVAC manufacturing	512	4	2.98%			
Truth Hardware Corp	Window hardware	450	5	2.97%	643	4	3.58%
Wenger Corp	Musical equipment	437	6	2.69%	450	6	2.51%
Bosch	Specialty tools	377	7	2.34%	540	5	3.01%
Cabela's	Outfitters/sporting goods	140		2.26%			
Mayo Clinic Health System	Healthcare	350	8	2.17%	413	8	2.30%
Cybex	Exercise equipment mfg	295	10		295	10	1.64%
Steele County	County government				335	9	1.87%
Total		7,138		44.29%	6,756		37.67%

Source: 2013 – Infogroup (www.salesgenie.com), written and telephone survey (June 2013), and the MN Department of Employment and Economic Development.
2023 – phone interview July 2023.
Total City employment data obtained from Minnesota Quarterly Census and Employment and Wages Data

CITY OF OWATONNA, MINNESOTA
Full-time Equivalent City Employees by Function
 Last Ten Fiscal Years
 (based on Adopted budgets)

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General government										
Admin services	12.2	11.7	10.7	11.4	10.0	10.0	10.0	9.5	9.5	8.0
Govt buildings	7.4	7.4	7.4	8.1	9.1	9.1	9.1	10.1	10.1	10.1
Public safety										
Police	40.4	40.4	40.4	40.4	43.1	42.8	42.8	42.8	42.8	43.1
Fire	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Inspection	4.7	4.7	4.0	4.0	4.0	4.0	4.0	3.7	3.7	4.0
Public works										
Engineering	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Street maintenance	18.0	18.0	18.0	18.0	18.0	18.0	17.0	17.0	17.0	17.0
Airport	2.25	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0
Culture & recreation										
Library	10.67	10.6	11.9	13.1	14.1	14.1	14.1	13.9	12.5	11.4
P&R admin	3.0	5.0	5.7	4.7	5.2	5.2	5.9	4.2	4.0	3.5
Park maintenance	15.2	13.2	10.6	10.9	10.7	10.6	11.2	11.2	11.2	11.2
Recreation	6.5	5.0	5.7	6.1	7.5	6.8	7.1	8.1	7.7	8.7
Housing & econ develop										
Planning & zoning	5.0	4.7	4.0	4.6	4.0	4.0	4.0	4.0	4.0	3.0
Total	<u>143.3</u>	<u>139.2</u>	<u>136.9</u>	<u>139.8</u>	<u>144.2</u>	<u>143.1</u>	<u>143.7</u>	<u>143.0</u>	<u>140.5</u>	<u>138.0</u>

Source: Adopted 2014-2023 Budgets

CITY OF OWATONNA, MINNESOTA
Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol/CSO units – marked	14	14	14	14	14	12	13	13	13	13
Patrol units – unmarked	8	8	8	8	9	8	8	8	8	8
Police reserve unit - marked	2	2	2	2	2	3	3	2	2	2
Parking control	1	1	1	1	1	1	1	1	1	1
Off-road vehicle	0	0	0	0	0	1	1	1	1	1
Fire station										
Stations	1	1	1	1	1	1	1	1	1	1
Fire/Rescue vehicles	12	12	12	12	12	12	12	12	12	12
Streets										
Streets (miles)	168.2	163.5	163.1	163.1	162.8	162.3	162.3	161.9	161.9	161.9
Airport										
Primary Runway length (ft)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Secondary Runway length (ft)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Culture and recreation										
Senior center	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	13	13	13	13	13	16	16	16	16	16
Parks acreage	867	851	851	851	851	851	851	851	848	848
Parks	36	36	36	36	35	35	35	35	35	35
Water										
Storage capacity (millions of gallons)	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Fire hydrants	1,257	1,237	1,246	1,249	1,233	1,229	1,240	1,232	1,234	1,319
Electric										
Number of customers	12,372	12,249	12,475	12,257	12,213	12,075	12,075	11,994	11,907	11,916
Gas										
Number of customers	10,855	10,803	10,749	10,616	10,584	10,497	10,487	10,447	10,385	10,411
Sewer										
Max daily treatment capacity (millions of gallons)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Source: Various government departments

CITY OF OWATONNA, MINNESOTA
Operating Indicators by Function
 Last Ten Fiscal Years

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Events	42,472	43,757	43,312	42,367	46,335	41,853	41,602	28,856	30,868	43,622
Group A crimes	704	870	762	254	438	462	428	608	739	665
Group B crimes	325	489	367	447	670	596	527	743	895	864
Traffic citations	1285	1,574	1,548	1,660	1,572	1,656	1,614	1,249	1,436	2,130
Fire										
Number of calls	523	593	535	464	545	476	495	441	444	467
Aquatic Center										
Admissions	37,394	33,492	35,021	8,040	28,300	25,837	23,485	23,414	30,306	26,455
Library										
Circulation	147,274	142,693	141,988	129,468	240,423	259,075	256,732	271,978	283,172	293,025
Registered Users	18,228	18,060	19,116	23,881	25,227	26,734	26,775	26,442	28,720	26,959
Water										
Avg daily consumption (thousands of cubic ft)	491	460	493	503	465	497	497	477	482	488
Electric										
Avg daily consumption (thousands of KWh)	1,153	1,155	1,165	1,168	1,126	1,079	1,043	1,039	1,018	1,019
Gas										
Avg daily consumption (thousands of cubic ft)	5,321	5,863	5,323	5,524	6,242	5,940	5,350	4,860	5,353	6,189
Wastewater										
Avg daily sewage treatment (millions of gallons)	3.66	3.39	3.48	4.20	4.93	4.14	4.17	4.01	3.94	4.09

Source: Various government departments